Nation's Business®
The Small Business Adviser

Why Business Opposes IRS Contractor Rules

Developing The Skills You Need

How Mail-Rate Changes Would Influence Costs

Growing More By Doing Less

Outsourcing lets business owners like Sam Hafif concentrate on their strengths and boost profits.



DECEMBER 1995 - $2.50
Published by U.S. Chamber of Commerce

Which PAPER

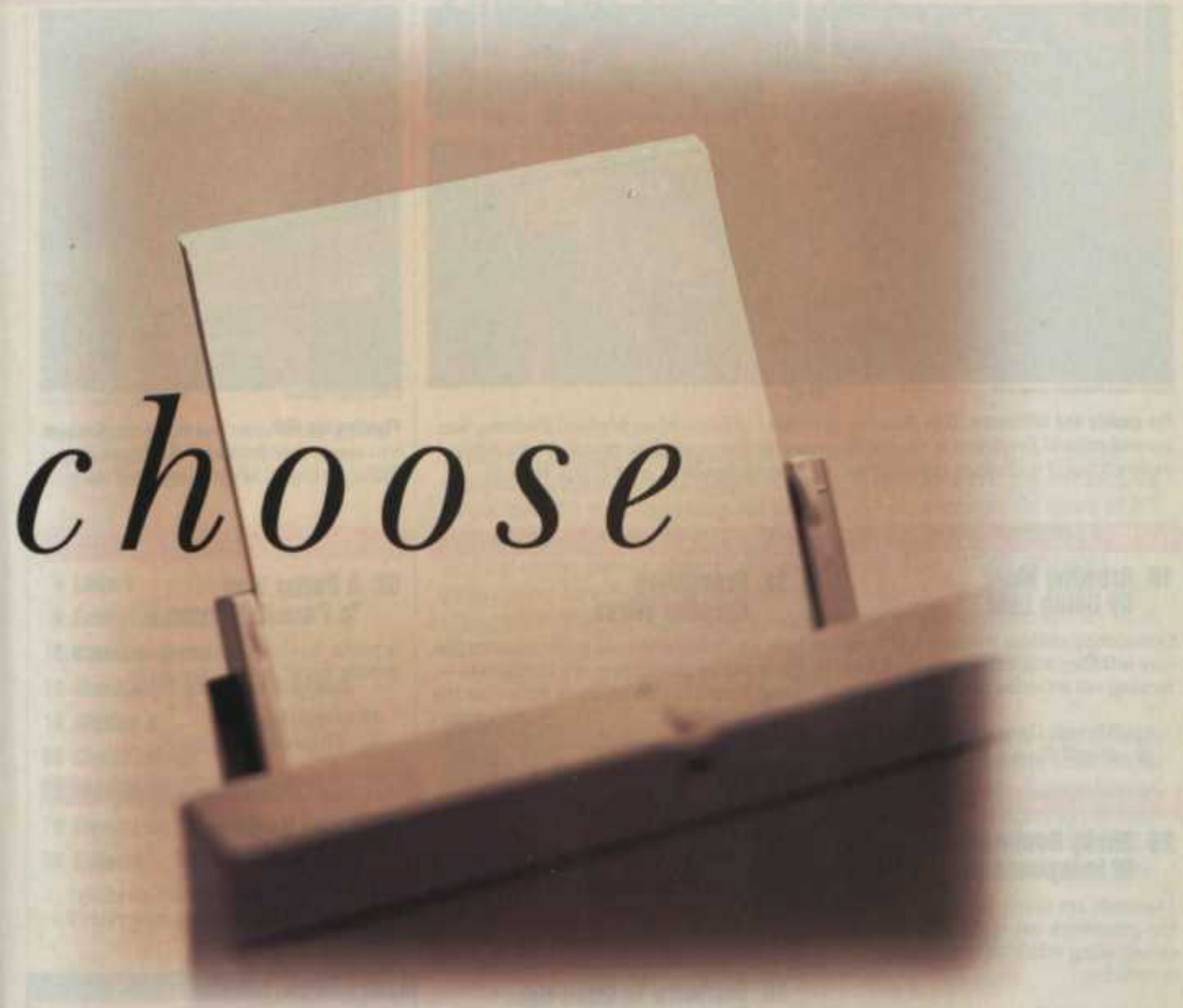


DO YOU

You probably spend more time choosing paper for your bathroom than your office. (Hmm, let's see, this one's two-ply but that one seems softer...)

True, you have bigger things to worry about at work than which paper to buy. But it's an easy decision once you know what to look for.

©1995 International Paper



choose

MORE *CAREFULLY?*

Look for whiteness, so your printouts are bright and sharp. Look for strength, so the paper doesn't jam your equipment. Look for weight, if you want your documents to carry some. And if that seems a lot, just look for Hammermill. You don't even have to squeeze it to decide.

HAMMERMILL PAPERS®

For free samples and information on where to buy Hammermill paper, call 1-800-242-2148. INTERNATIONAL PAPER

Circle No. 7 on Reader Service Card

Nation's Business®

Published by
U.S. Chamber of Commerce
Washington, D.C.



PHOTO: ERICK FREEMAN—BLACK STAR

For quality and efficiency. *Tom Asacker, president of Innovative Medical Systems, has several critical functions of his health-products company done by outsiders. Such outsourcing is a strategy many firms use to stay flexible. Cover Story, Page 18.*

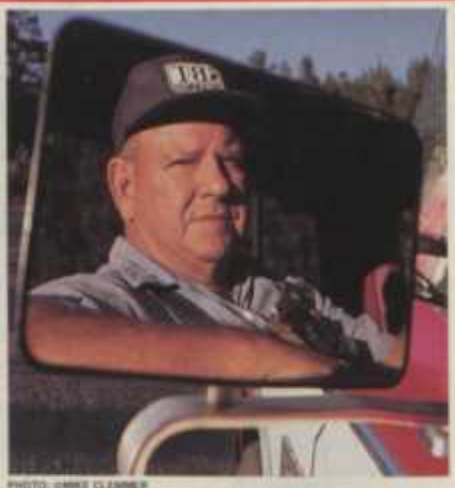


PHOTO: MIKE CLEMER

Fighting the IRS *over worker classification was a win-lose battle for Alabama logger Billie Rasbury. Managing, Page 26.*

COVER STORY

18 Growing More By Doing Less

Outsourcing enables companies to focus on core activities and increase flexibility by farming out activities best done by others.

21—Virtual Companies, Real Profits
22—Small Firms, Big Clients

MANAGING

26 Shaky Declarations Of Independence

Demands are rising for Congress to take the guesswork out of the procedures for determining who's an independent contractor.

28—Safe Harbor And The List Of 20

33 Businesses Eye Postal Rate Plan

The Postal Service's reclassification proposal would lower some companies' mailing costs and raise others'.

36—Ways To Control Mailing Costs

49 How To Broaden Your Skills

Entrepreneurs without a strong background in the business they're starting have places to turn for help.

MARKETING

32 Preventing Crossed Wires

As new telephone area codes come on line, companies should prepare themselves—and firms they do business with—for the changeover.

48 Introduce Yourself Before The Show

To make the most of your company's exhibit at the trade convention, try these tips for persuading prospects to visit your booth.

SMALL BUSINESS COMPUTING

38 Software To Open Up Your New Windows

Utility programs that enhance Microsoft's latest upgrade; a modem for the highly connected; a fun printer.

TECHNOLOGY

42 All That's New And Fit To Print

Improved technology and falling prices for printers can put your company's presentations on a par with those of larger competitors.

44—Sorting It Out

FAMILY BUSINESS

52 A Better Way To Pass The Baton

A youth movement's sweet succession; getting out of the holiday spirit.

52—Guidelines For Resolving Conflict

FINANCE

59 Small Business Financial Adviser

Pick your IRA beneficiaries carefully; last-minute tax strategies; new rates for Savings Bonds.

WHERE I STAND

68 On Labor Issues

Organized labor's ranks are thinned, it's on the defensive with a Republican-controlled Congress, and it may step up its activism. These questions seek your views on labor issues in your business.

POLL RESULTS

69 On Health Care

Obtaining affordable coverage is the major health-insurance concern for small firms, according to most respondents to the October Where I Stand poll.

VOL. 83, NO. 12



PHOTO: T. MICHAEL KEZA

Machine-shop *owner David Guidry went to other states to seek new customers during a downturn. Making It, Page 14.*

DEPARTMENTS

4 Letters
8 Entrepreneur's Notebook
10 Dateline: Washington
12 Managing Your Small Business
14 Making It
65 Classified Ads
70 Free-Spirited Enterprise
78 Direct Line
80 Editorial

Cover Design: Hans A. Baum
Cover Photo: ©Lisa Quinones—Black Star

Nation's Business (ISSN 0028-0674) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062-2000. Tel. (202) 463-5650 (editorial). Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1446. Copyright © 1995 by the United States Chamber of Commerce. All rights reserved. Subscription prices: United States and possessions: one year, $22; two years, $35; three years, $46. For Canadian and other foreign subscriptions, add $20 per year. Second class postage paid at Washington, D.C., and additional mailing offices. Canadian GST registration #: R121594193. **POSTMASTER:** Send address changes to *Nation's Business*, 6940 McKinsey Court, Kensington, Md. 20895. **To inquire about your subscription, to subscribe, or to make a change of address, please call 1-800-639-6582, or in Maryland, 1-800-252-1456. Photocopy Permission:** Where necessary permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 222 Rosewood Drive, Danvers, Mass. 01923, to photocopy any article herein for a flat fee of $1.50 per copy of each article. Said payment to the CCC. Copying without express permission of *Nation's Business* is prohibited. Address requests for reprints to *Nation's Business* Reprints, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call 1-800-682-4000.

Printed in the U.S.A.

Editor's Note

Light On The Horizon

As we look toward the end of a watershed year in Congress, the picture is brightening. The president and the Congress are expected to reach agreement before the year ends on legislation that would cut the growth of federal spending and put our country on a path toward a balanced budget. What better way could we, as a nation, be positioned on the brink of a new year? For a full assessment of the 1995 Congress, see this month's editorial, on Page 80.



PHOTO: T. MICHAEL KEZA

While the federal government is shifting gears, so are many small companies. And one way they're doing it is by outsourcing work to other firms. Should your company do the same—or, perhaps, do more of it? See our cover story, "Growing More By Doing Less," written by Contributing Editor Dale Buss, on Page 18. This article provides insights on how business owners and managers can spend more time doing what they do best and, in some cases, making more money at it, too.



PHOTO: GREG HOFFMANN

If you haven't considered how mailing rates may change in the coming year, don't miss our story on the U.S. Postal Service's plans, on Page 33. Senior Writer Laura Litvan describes why dating-service owner Bill Kasiner, in the photo at left, switched to a private delivery firm and how the Postal Service proposes to keep at least some other customers from doing the same.

And for the holiday-minded, see this month's Entrepreneur's Notebook, on Page 8, in which one company shares its secrets for continuing December's season of good cheer all year long.

Best wishes for a safe and happy holiday season.

Mary Y. McElveen
Editor

Nation's Business

Letters

The United States Chamber of Commerce, publisher of Nation's Business, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD
Dennis W. Sheehan

PRESIDENT
Dr. Richard L. Lesher

SENIOR VICE PRESIDENT/COMMUNICATIONS
Dr. Carl Grant

VICE PRESIDENT/PUBLISHING
David A. Roe

EDITOR
Mary Y. McElveen
DEPUTY EDITORS
Albert G. Holzinger, Terence F. Shea, Roger Thompson
SPECIAL CORRESPONDENT
Sharon Nelton
SENIOR EDITORS
Michael Barrier, David Warner, James Worsham
ASSOCIATE EDITORS
Roberta Maynard, Stephen Rush
SENIOR WRITER
Laura M. Litvan
CONTRIBUTING EDITORS
Robert T. Gray, Henry Altman, Ripley Hotch, Julie Candler, John L. Ward, Craig E. Arnoff, Jon Pepper, Peter Weaver, Albert R. Ellentuck, Janet L. Willen, Randy Myers, Mary Rowland, Susan Biddle Jaffe, Dale D. Buss
EDITORIAL ADMINISTRATIVE ASSISTANT
Irma N. Tolliver

ART DIRECTOR
Hans A. Baum
ASSISTANT ART DIRECTOR
Alberto Pacheco
SENIOR DESIGNERS
Kathy Reuter, Kathleen Vetter, Georgia Leigh McDonald
SENIOR ARTIST
Michael Rook
PHOTO DEPARTMENT
Laurence L. Levin, photo editor
Frances Burchardt, assistant photo editor
T. Michael Keza, chief photographer
ART PRODUCTION ASSISTANT
Theodora D. Taylor

PRODUCTION DIRECTOR
Heidi Sakai Gioseffi
PRODUCTION COORDINATORS
Stephanie Jankowski, Janet M. Sappington
PRODUCTION ADMINISTRATOR
Seretha Armstrong

U.S. ADVERTISING
Pete McCutchen, marketing director
(212) 370-1440
Kathleen Brown, administrator
ADVERTISING MANAGERS
Atlanta (404) 393-0149
Rob McWalters
Chicago (312) 346-3528
Richard Keepler
Dallas (214) 387-0404
Richard Chalkley
Southfield, Mich. (810) 354-1180
Richard Tupoza, Michael McNew
Los Angeles (213) 651-1466
Tom Bowman
New York (212) 370-1440
Jerry V. Camperino, Neil Hanlon, Bart McDonnell, Peter J. Riordan
San Francisco (415) 421-7436
Richard A. Sands

CLASSIFIED ADVERTISING
(202) 463-5640
Marla Scher, director
Debora A. Tydings, account executive

INTERNATIONAL MARKETING
Vico Fabrizio Associates
(201) 664-7925
Fax: (201) 358-8454

CIRCULATION AND CONSUMER MARKETING
Elizabeth A. Allen, director
Lucy Oliver, circulation manager
Liana Glaser, consumer marketing manager

MARKETING COMMUNICATIONS
Janine Grossman, director
Diane Lewis, promotion coordinator

S Corporations Are Not Immune From The IRS

I read with interest your October story "Why The IRS Eyes Executive Pay," about the "reasonableness" of these salaries. Thank you for reminding us that business owners sometimes come out on top in their battles with the Internal Revenue Service.

Near the end of the story, however, it is stated that "a company with 35 or fewer stockholders can avoid ever facing an



ILLUSTRATION: WILLIAM COUNTER

executive-pay challenge by becoming an S corporation" and that there is no federal tax deduction for executives' salaries in an S corporation. In fact, federal law *requires* that S corporation shareholders be paid reasonable salaries for the services they perform *before* corporate profits are determined. Also, the IRS regularly challenges the compensation of S corporation shareholders on the grounds that their compensation is too *low*.

There are two reasons why owners of S corporations are tempted to pay unreasonably low salaries: 1) to increase taxable income that can be passed through to lower-bracket family-member shareholders; and 2) to avoid payroll taxes (an S corporation can be considered liable for Social Security and related payroll taxes on dividends distributed if the distributions actually represent disguised salaries to actively employed shareholders).

I know of several failed attempts to get out of paying Social Security taxes this way. I know of no successful ones.

Kenneth W. Apple, CPA
Martinsburg, W.Va.

Another Fight Ahead?

Your article "Why The IRS Eyes Executive Pay" stated the issue clearly and gave a good solution. The solution has a pitfall, however. Now, when dealing with S corporations, the IRS wants to know that salaries are not too *low*. On Dec. 1, the IRS plans to initiate 12,500 audits of S corporations for compliance—in particular, the appropriateness of operator/shareholder salaries.

Once again, shareholder/owners will have to decide if the fight is worth it.

Wm. E. Brown III, CPA
Irving, Texas

[Editor's Note: Because of budget concerns, the IRS has postponed indefinitely the 12,500 intensive, line-by-line audits of S corporations that were planned to begin Dec. 1 under the agency's Taxpayer Compliance Measurement Program.]

Catching The Wave Of Minority Business

It was with a great deal of interest and pleasure that I read your October cover story, "Minority Business: The New Wave." For more than 20 years, I have been working in minority-business development programs. A large percentage of my time was spent visiting and talking at length with owners of minority firms as part of their certification process. From my own experience, I can readily attest to the gist of your article. The latest group of minority entrepreneurs *are* a "new wave."

Over the past year or so that I have been reading *Nation's Business*, I have noticed that you have regularly included minority-owned firms in your articles. And, for a great many of those articles, the subject has been general management issues, rather than minority business per se. By treating minority-owned firms as equally well-qualified as nonminority firms to be providing advice and giving lessons to other entrepreneurs, you have been advancing the cause of minority business development.

Several of the recommendations that you made in the side article "You Can Play A Vital Role" are ones that I have come to believe should be included in any future efforts to develop minority entrepreneurship. They are: 1) advising all businesses to serve on a minority firm's board or other organizations; 2) suggesting to minority start-ups that they be-

IF YOU HAVEN'T CONSIDERED AN ONLINE SERVICE FOR BUSINESS, THAT'S OK. THERE HASN'T BEEN ONE.

UNTIL NOW.

Can an online service really make a difference to your business? It can if it saves you time and gives you the information you need, when you need it. If it's designed exclusively with business in mind. If it's from the



leader in business telecommunications solutions. If it's AT&T Business Network—the latest buzz in online services.

Order today for critical industry news and practical information from more than 2,500 resources. Customized features, so the information specific to your needs is automatically located and continuously updated. E-mail capabilities and instant links to relevant business information on the Internet. And, as you'd expect from AT&T, expert support to help you every step of the way. Call now and catch the buzz.



CATCH THE BUZZ
FREE 10-Hour Trial and
Special Introductory Pricing*
1 800 665-4492
http://www.ichange.com

AT&T

AT&T BUSINESS NETWORK. FOR THE LIFE OF YOUR BUSINESS.℠

CNN BUSINESS NEWS ▲ DOW JONES BUSINESS INFORMATION SERVICES ▲ DUN & BRADSTREET INFORMATION SERVICES ▲ ENTREPRENEUR MAGAZINE GROUP ▲ THE KIPLINGER WASHINGTON EDITORS, INC. ▲ STANDARD & POOR'S ▲ THOMAS REGISTER OF AMERICAN MANUFACTURERS ▲ TRW BUSINESS INFORMATION SERVICES ▲ OVER 2,500 INFORMATION SOURCES ▲ PLUS ALL THE BUSINESS RESOURCES OF THE INTERNET

*Free trial must begin by December 31, 1995, to qualify for introductory pricing and does not include fees for certain information sources, which are clearly marked online.
© 1995 AT&T. All rights reserved. All products and company names mentioned are marks or registered trademarks of their respective companies.

LETTERS

come involved not just in the minority community but also in the larger community; and 3) recommending that minority entrepreneurs consider joint ventures (I would add with other minority businesses as well as with majority firms).

To expand slightly on your list of "Where To Go, What To Read," the following could be included: the National Minority Business Council, 235 E. 42nd St., New York, N.Y. 10017; (212) 573-2385; and *Minority Business Entrepreneur* magazine (bimonthly, $15 a year), 3528 Torrance Blvd., Suite 101, Torrance, Calif. 90503; (310) 540-9398.

Arthur B. Pinula, President
The A.B. Pinula Co., Inc.
Montvale, N.J.

It's Smart To Shop For Legal Services

In "Who Acts For You When You Cannot?" [Small Business Financial Adviser, September], it was stated that the cost for a durable power of attorney is relatively inexpensive—$100 to $200.

In fact, the cost can and should usually be less. Our small Kansas firm regularly prepares these documents for less than $50. The public can still obtain good services, legal and otherwise, in today's market. As in every other field, one must simply be an informed consumer.

Jim Forsyth
Newton Law Office
Anthony, Kan.

Colleges Are Subsidized In Unfair Competition

Regarding your article "University Ties Give Companies An Edge" [Managing Your Small Business, September]: While it is true that many colleges and universities can provide a variety of services on a contract basis, your readers should be made aware that these services are in direct and unfair competition with those of private firms.

Most colleges and universities receive substantial amounts of public support through direct government funding (publicly and privately raised tax dollars) and research grants and are provided with special tax advantages.

The main purpose of these funds is to train and educate students. It is increasingly apparent, however, that government funding cutbacks have led to increased use of publicly funded facilities and equipment for contracted work in the private sector.

The reduced fees that these institutions (and free-lancing professors) can charge is a direct result of the use of tax-supported facilities and equipment. In effect, the taxes paid by private firms are being used in unfair competition with the very firms that provide the funding.

William R. Elman
Elman and Associates
Appleton, Wis.

Eliminating Fraud Would Help Medicare

The Great Medicare Battle is under way, and it will not likely be resolved without ruffling a lot of feathers. The Republicans want to means-test Medicare to make sure benefits go to those who really need them.

There is much fraud in the system. The sheer size and complexity of this $177 billion-per-year program—coupled with lax management practices—have made Medicare a sitting duck for con artists and thieves who exploit the cracks in the system.

In fiscal 1993, there were almost 700 million Medicare claims processed—an increase of 250 million from 1988. Physicians, supply companies, and diagnostic laboratories have three chances out of 1,000 of having Medicare audit their billing practices in any given year. As a result, up to $17 billion a year—or 10 percent of Medicare's budget—is lost to fraud.



ILLUSTRATION: GEORGIA LEIGH MCDONALD

Medicare is going bankrupt because federal spending on the program is growing at a pace of 10 percent a year. That's the crisis both the Democratic administration and the Republican-controlled Congress need to face and resolve.

By eliminating waste and fraud, Medicare could be saved without increasing premiums.

Dailey J. Berard, President
Universal Fabricators, Inc.
New Iberia, La.

First Things First

Before a solution can be found to hospital and health-care costs, lawyers must be stopped from encouraging malpractice suits. This is the greatest detriment to health care in the United States.

Stop this problem, then start talking reform.

Keith M. Carolan
K-C Welding Supply Inc.
Essexville, Mich.

Article Was In Error On Frequent-Flier Miles

Upon reading your October article "For The Thrifty Business Traveler" and its reference to the publisher who earns frequent-flier miles through the use of long-distance telephone service, I called the number given to find out about AT&T's program. I was told that your article was in error—AT&T does not extend to businesses the option of converting long-distance phone bills into frequent-flier miles.

Kenneth W. Maurus, President
The Maurus Company
Menifee, Calif.

[Editor's Note: The article mistakenly indicated that the frequent-flier-mile programs of long-distance carriers AT&T, MCI, and Sprint are available to businesses. The programs are offered only to residential customers.]

Clarification

We received several letters from alert readers who pointed out that an example used in an article on gift taxes in the November Small Business Financial Adviser section, on Page 66, was misleading.

The problem example stated that $1.2 million of the estate of a deceased couple could be exempted from federal estate taxes.

That is true only if the first spouse to die followed standard estate-planning practice and set up a trust to shelter $600,000, the lifetime individual exemption from federal estate tax.

Otherwise, if such a trust was not established, a surviving spouse with an estate of $1.2 million would be able to distribute to beneficiaries only $600,000 free of federal tax. Upon his or her death, the other $600,000 would be subject to estate tax.

You can communicate with Nation's Business *via:*

Letter: Editor, Nation's Business
1615 H Street, N.W.
Washington, D.C. 20062-2000

Fax: (202) 887-3437

CompuServe: 76436,1735

Please include your telephone number and your postal address. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.

Can you trust your employees?

A. All of the time
B. Most of the time
C. Not sure

If your answer is A, B or C, you may need

Aetna's Employee Dishonesty Coverage.

According to the U. S. Chamber of Commerce, an estimated $53 billion is lost each year due to employee dishonesty. Don't let this happen to your company. Ask your agent about Aetna's Employee Dishonesty Coverage.

Aetna also offers additional coverage to complement employee dishonesty coverage.

Some of these coverages include forgery and alteration of outgoing checks, burglary and robbery, computer fraud and more! Your agent or broker will work with an Aetna bond representative and determine your needs.

Make this important business decision. Call your local Aetna agent or broker today.

For the Aetna agent or broker nearest you, call 1-800-US-AETNA and ask for Bond.

Aetna

The Aetna Casualty and Surety Company
Aetna Casualty & Surety Company of America

Entrepreneur's Notebook

By Candi Ekstrom

Cutting-Edge Promotions

In our business, the difference between Winter Wonderland and Winter Wasteland is a few days. In December our cash registers ring like sleigh bells; after the holidays, our shop can be as quiet as the night before Christmas.

Keeping those registers jingling through each new year, therefore, requires coming up with creative ways, within our limited advertising budget, to fight midwinter slumps—and summer dry spells, too.

Like a lot of businesses, my styling salon, Hair Benders, in Altamonte Springs, Fla., has to cope with seasonal ups and downs in clients' needs for our services. Although our 44-employee firm has annual sales of about $800,000, we have had to cope with uneven cash flow annually during our 23 years in business. We used to hold our breath and ride out the low spots. Now we've learned how to take steps in advance—while our appointment books are full—to generate business to carry us through the slow periods.

The process is actually quite simple. It requires only that we determine which of our services are most popular, identify our best customers (repeat clients and those who become our best references), and then offer something special that thanks them for their business while motivating them to come back when we need them most.

We don't use slick advertising. One of our most successful "bounce-back" promotions is filled with simple homemade goodness. About three weeks before Christmas, everyone on our staff starts baking cookies, which we package in little red-and-green ribboned bundles.

Every client who comes in receives a package of cookies with a card offering a $5 discount in January on any chemical service, such as a permanent or hair coloring. As a result, our January sales have been boosted considerably with clients who decide to come in that month—even in the final week—rather than wait until February.



PHOTO: LIBEN VAN HOOK

Creative promotion *in the busy months helps salon owner Candi Ekstrom's business in the slow periods.*

Other promotions have included stylists giving customers Christmas cards with $5 and $10 discount coupons, at other times giving out gift packages of, say, three refillable hair-care products, or offering discount coupons on services or retail purchases during the first two weeks of the year or at some other slow time.

Such promotions not only offer the immediate benefit of increased sales but also introduce customers to products they may purchase repeatedly and start clients on an appointment schedule.

In the holiday bounce-back promotions, all customers—even first-timers—receive some potential benefit. But there's also value in giving special recognition to your repeat customers and those who spread the word about you.

Throughout the year, when a new customer books an appointment and mentions a referral from one of our clients, we send the referring client a card. On one side it reads, "We've heard what you've been saying about us." The other side says "Thank You" and offers $5 off the next appointment.

Saying thanks to customers who refer us to others is probably the best promotion we've tried. It helps identify our best and most satisfied clients, gives them special recognition, and brings in lots of new clients.

On a similar note, we're developing a year-round promotion aimed at frequent or special-service clients—those who come in for chemical processes, skin care, or manicures, for example. Like the airlines with frequent-flier programs, we plan to give clients points for each appointment.

Points will be offered on a scale based on the cost of the service provided. The points can be accumulated throughout the year and can be redeemed in January and February for special services.

Although these promotions are high in creativity, none costs a lot. More often than not, a client who is introduced to a new product or service comes back to us for those items, which enables us to expand our business with repeat customers—not just newcomers.

All of this proves that a few well-placed reminders can bring Christmastime cheer throughout the year. NB

Candi Ekstrom, founder and president of Hair Benders Inc., in Altamonte Springs, Fla., prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on running or starting a business are invited to contribute to Entrepreneur's Notebook. Write to Editor, Nation's Business, *1615 H Street N.W., Washington, D.C. 20062-2000.*

What I Learned

Saying thanks to customers for referrals is probably our best promotion. It gives them special recognition and brings in clients.



"Surprise me. Give me more power than I thought I could get for my money."



IBM Solution # 111163-J  **a.k.a. "Affordable Pentium Technology"**

If you're looking for a lot of performance for not a lot of money, consider the new IBM PC 300. Pumped up with a 75 or 90MHz Pentium® chip and 64-bit graphics, it delivers all the speed and functionality you need for off-the-shelf

- *75/90Mhz Pentium processor*
- *SelectaSystem™ 205/Windows® and OS/2® Warp*
- *64-bit graphics*



- *3-year warranty*
- *IBM HelpWare®*
- *540/850MB HDD*
- *PCI/ISA bus architecture*
- *Fax ID# 60088*

For info, orders or a dealer near you, call 1 800 426-7161.
Or visit our web site: www.pc.ibm.com/desktop/

or customized applications. And it starts at just $1825[1] (monitor not included). Which means you can take on the heavy stuff without getting in over your head. The IBM PC 300. One more reason there is a difference.®

IBM

[1]Value Area PC Direct price for 7344-J4B/B8B. Dealer prices and product availability may vary. [2]IBM's Statement of Limited Warranty is available upon request by calling 1 800 772-2227. [3]M-F, 8am-8pm EST. In Canada, call IBM's HelpFax at 1 800 465-3299 (ask for document #452752). IBM, PC, and HelpWare are registered trademarks and SelectaSystem and "There is a difference" are trademarks of International Business Machines Corporation. Pentium is a registered trademark of Intel Corp. Windows is a trademark of Microsoft Corp. ©1996 IBM Corporation.

Dateline: Washington

Business news in brief from the nation's capital.

GOVERNMENT

DeLay Doubts Claims On Regulatory Reform

Regulatory officials in the Clinton administration say they have scrapped 16,000 pages of regulations and are reworking an additional 31,000 pages of other rules to make them less burdensome. But House Majority Whip Tom DeLay, R-Texas, and other regulation hawks in Congress are dubious of these assertions, made in *Common Sense Government*, the administration's latest report on its efforts to "reinvent" government.

To the contrary, says DeLay, "regulators have been emboldened by this administration." In a meeting with *Nation's Business* editors, DeLay pointed to increases in the budgets of regulatory agencies and to thousands of additional pages in the *Federal Register*, a weekday government publication in which all proposed and final regulations are printed. (See the accompanying chart.) "Clearly," said DeLay, "we need drastic change" to bring about real regulatory reform.

That's why GOP lawmakers in both houses are continuing to push for comprehensive legislation to overhaul the regulatory process. Although the fight is essentially over for this year, DeLay said, reformers will be pressing the issue again in early 1996.

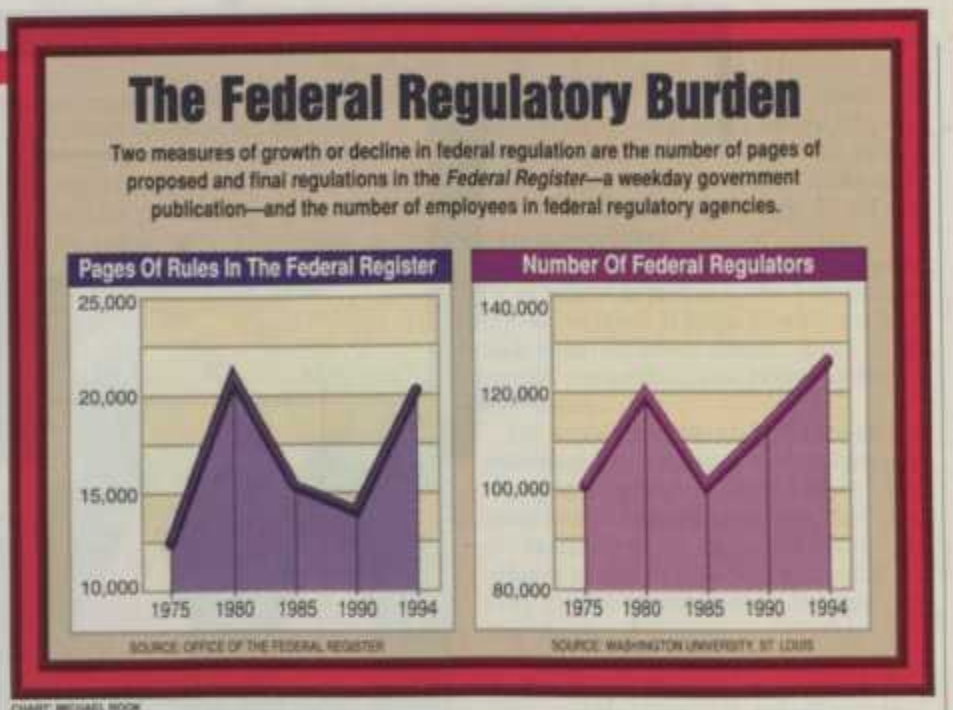
DeLay said he is working to raise money for Project Relief, a private-sector regulatory-reform group he helped found in 1994. The group, which includes the U.S. Chamber of Commerce, plans to use the funds in a stepped-up drive for regulatory reform in Congress early next year, DeLay said. Project Relief will push for enactment of legislation that is similar to a bill the House approved in March and to a pending Senate measure.

The House bill included a provision to reauthorize and strengthen the Regulatory Flexibility Act, which requires federal agencies to examine a proposed rule's effect on small business and to rewrite the regulation if it would have a significant adverse impact.

The House reform measure also included a requirement that agencies assess the merits of health, safety, and environmental rules costing $25 million or more per year relative to the risks of not adopting such rules. Another provision would require regulators to conduct cost-benefit analyses of all rules with expected economic impacts of $25 million or more.

The Senate version would apply to most regulations costing $100 million or more a year. Three times in late July, proponents of the measure were unable to muster the 60 votes necessary to cut off a filibuster and force a final vote.

—David Warner



House Votes To 'Correct' Four Federal Regulations

The GOP-controlled House convened a "Corrections Day" twice in October, and representatives approved four measures that would repeal or revise laws or regulations now in effect. The bills, which would take effect if approved by the Senate and signed by the president, would:

- Prohibit nonelderly drug users and many former users from living in public housing designated for the elderly and permit authorities to evict nonelderly drug users from such housing.
- Amend Labor Department rules to allow 16- and 17-year-olds to load cardboard materials into balers and compactors at groceries and other businesses so long as the machines are approved by the American National Standards Institute. However, the teens could not unload or operate the machines.
- Cancel a Justice Department ruling that threatens fines and jail terms if federal workers discuss the views of employee organizations, such as child-care centers, health and fitness clubs, and professional associations, with their superiors at their employing agency.
- Modify Transportation Department regulations that classify animal fats and vegetable oils as hazardous materials and require vessels that transport them to comply with the same environmental rules as those used to transport fuel oils. The Senate passed a similar bill in 1994, but the House did not act.

Through October, only three Corrections Days had been held since the first one in July, and a total of five measures had been passed, but House leaders are hoping to get back to the original schedule of having a Corrections Day every other Tuesday.

"The Corrections Day ball is rolling, picking up momentum and support," asserts Rep. Barbara Vucanovich, R-Nev., chairwoman of the Corrections Day Advisory Group, which reviews and recommends to the speaker of the House bills for Corrections Day sessions.

—James Worsham



"Now that I've figured out what we need for our network, I could use a hand starting it up."



IBM Solution # 27645-H



a.k.a. "PC Server Startup"

There's a lot more to getting a PC network up and running than just throwing it into "Drive" and taking off. So, to get you through that make-or-break period – those first 90 days – IBM technical experts are at your beck and call. Offering you 24-hour toll-free support.[1] Helping you with installation and configuration problems. Even many of those stemming from other vendors' network operating systems and network adapters. And you should feel secure knowing you're backed by IBM's 3-year warranty.[2] PC Server Startup. One more reason there is a difference.™

- *Toll-free, 7-day 24-hour support*
- *Supports OS/2® LAN Server, Banyan® Vines,® Novell® NetWare,® SCO® UNIX® and Windows NT.™*
- *Part of IBM HelpMore®*



- *IBM and non-IBM components and adapters including: 3Com,® Madge,™ SMC,® BusLogic,™ Digi™ International and Thomas-Conrad®*
- *Fax ID # 9026*

For info, orders or a dealer near you, call 1 800 426-7161.
Or visit our web site: www.pc.ibm.com/server/

IBM

[1]During warranty period. [2]Copies of IBM's Statement of Limited Warranty are available by calling 1 800 772-2227. Tel # 8am-8pm EST. In Canada: call 1 800 465-7999. IBM, OS/2 and HelpMore are registered trademarks and "There is a difference." is a trademark of International Business Machines Corporation. All other company and/or product names are trademarks or registered trademarks of their respective companies. ©1995 IBM Corporation.

Managing Your Small Business

High traffic and high expectations; helping employees write better; generating customer involvement.

By Roberta Maynard

EXPANSION

The Lure Of Locating In The Fast Lane

A new retail store in a prime location with nonstop customer traffic is a small-business person's dream come true, but it can present its share of challenges, too.

Melissa Fulton, president and CEO of Celebrate Maryland!—a firm that sells souvenirs of the state—found that expanding a business can be especially complex when the new site is fast-paced and highly visible.

Fulton had two stores in small, historic towns—St. Michaels and Ellicott City—when she opened a 700-square-foot store in September at Baltimore-Washington International Airport.

One major challenge she encountered is the hurried environment. At her other stores, for example, day-tripping customers take a leisurely approach to shopping, Fulton says. But at the airport, customers usually are in a rush.

"As a result, we are finding that we have to be even more efficient than in the other stores," she says. The quality of the salespeople, the sophistication of the computer system—right down to the speed of its modem—and the ability to get new merchandise daily and restock the shelves quickly are all important considerations, she says.

Fulton found she needed more full-time workers at the airport store because, under terms of the lease, it must be open from 7 a.m. to 9:30 p.m. every day year-round—more hours than her other two stores are open. The lease calls for fines if the store closes early or opens late, so employees' dependability is vital.

Not that Fulton would change a thing. The firm's revenues have grown from $700,000 in 1994 to an estimated $1.3 million this year, and she expects business to soar even higher in 1996. Looking beyond Maryland, she plans to open two stores with the regional-gift theme in early 1997 in another state—she declines to identify it.

To those who seek the retail fast lane, Fulton says: "Make sure your organization is very solid. It is how the company operates, specifically its professional management approach, that counts." That's what led Host Marriott, the company that manages the airport's retail space under a lease arrangement with the state, to sublet space to her, she says.

Fulton also took an opportunity to open a second, smaller store in another part of the airport. Called Just Plane Crabs, the store's theme showcases Maryland's seafood specialty.

Amazingly, Fulton started her business and managed its 12 percent annual growth for eight years while keeping her full-time job as vice president of mid-Atlantic real-estate services for NationsBank. What made her give up her corporate position to concentrate on entrepreneurship? "The day after we opened the first airport store," she says, "I knew I couldn't do both." ■



PHOTO: [illegible]

Souvenir seekers' hurried pace *is one of the new management challenges that Melissa Fulton, left, encountered when she opened her airport shop near Baltimore.*

COMMUNICATION

Is Your Workers' Writing Creating Wrong Impressions?

Thanks to computer technology that has led to e-mail and the ability to write business letters almost instantly, it has become increasingly easy for employees' poor grammar and spelling to slip out the door unchecked.

"This means an employee who is a poor writer could embarrass you and your organization," says Don Bagin, publisher of *Communication Briefings*, a business-communication newsletter in Alexandria, Va. "Poor writing could lose a potential client or alienate a current one," he says.

Here are some tips from Bagin to help you keep employees' writing in line:

- Conduct quality checks from time to time to find out what kind of writing goes out from your organization.
- Offer training for employees who need writing help.
- To head off problems, consider giving job applicants a short writing test, even something as basic as writing a business letter or summarizing a report.
- Equip your computers with programs that can check text for errors in spelling, grammar, and style. Remember that spelling-checkers are no guarantee of accuracy because they can't catch correctly spelled words misused in context. So encourage employees to check all written communications the old-fashioned way—by proofreading them carefully. ■

PROMOTION STRATEGIES

Reaching Out To Keep Customers Coming Back

Keeping customers interested and responsive is a challenge for all businesses. The approach that Jerry Beigel adopted shows how an organized, consistent effort can pay off in customer loyalty.

Beigel, editor and co-owner of *Southern California Senior Life*, believes that the promotions he has developed help distinguish his paper from the four other monthlies in the Los Angeles area that are geared to older people. It's a strategy that could work for you.

In a recent issue, for example, the paper offered free pairs of tickets to the Los Angeles Philharmonic and other live performances, including dinner theaters. This year alone, the publication will give away 230 pairs of tickets donated to the paper through Beigel's efforts.

There are giveaways for local sporting events, too, for readers who answer sports questions correctly. And every spring, readers who correctly guess the top Oscar winners receive free movie theater tickets.

These efforts not only endear the paper to its readers, says Beigel, but also benefit advertisers, who want to know more about the growing senior market. To be eligible for drawings, readers must complete a four-question survey that appears in the paper. The topics range from plans to buy a house or car to opinions on health insurance. The 500 or so responses each month are forwarded to advertisers.

"With these efforts, we think we've added the sizzle that is necessary to give us a leg up with readers in our area," says Beigel, who began the promotions shortly after acquiring the paper 10 years ago with his wife, Estelle, the publisher. Since then, the paper has grown steadily from 12,000 copies to 175,000 copies monthly.

Almost any kind of business can attract customers by running similar promotions in its advertising or by conducting contests at its store locations. Two keys are creating anticipation with advance notice about contests and recognizing winners by posting their names. Above all, customers must consider participating to be worth their time and trouble. ■



PHOTO: EBART BARTHOLOMEW

Philharmonic tickets *and other performing-arts promotions help Estelle and Jerry Beigel, publisher and editor, expand the circulation of* Southern California Senior Life.

COMMUNITY SERVICE

Marketing With A Message While Helping City Schools

Thanks to companies of all sizes, inner-city schools around the country are sporting new basketball backboards, hoops, and nets—supplied at no cost to school districts to replace equipment that had been damaged or stolen. In return, the donor companies' logos are displayed on the backboards along with positive motivational messages such as "Stay in School" and "Winners Never Quit."

An outdoor-advertising firm, Van Wagner Communications, in New York, started the program, called the National Backboard Network. NBN installs, inspects, and maintains the equipment that companies buy.

So far, new backboards have been put up in 1,500 schools—one per school—in New York, Dallas, Detroit, Boston, Philadelphia, and Washington. NBN hopes to add more business sponsors to furnish second backboards in each of those schools.

Businesses interested in participating or in starting the program in their city should call Tom Turner, vice president for marketing and sales at Van Wagner Communications, at (212) 953-7744. The monthly cost per backboard is $50, and NBN asks for a three-year commitment. ■

MARKETING

How To Succeed On The Exhibit Floor

To stand out from the crowd of exhibitors at a trade show, you need to provide exemplary personal and professional attention to people, says Allen Konopacki, president of Chicago-based Incomm International, a sales-training firm. Here are his suggested steps for doing that:

Call your visitors guests. As simple as it sounds, Konopacki says, the most powerful change a company can make in the approach of booth personnel is to have them stop referring to people as prospects, attendees, or leads.

Don't read badges. It's commonly done by booth personnel, but it can make guests feel they are being sized up, qualified, or evaluated as to how worthy they are of the representative's time. Ignore the badge, introduce yourself, and find out why the person is at the show.

Let your guests browse. Often, booth personnel meet, greet, and engage people but don't let them shop in comfort. Be available, but don't hover.

Project positive posture. A visitor's perception of an exhibit is based largely on the body language of booth personnel. A way to help create a good impression is to hold something in your hands, such as a brochure or a book. It makes you appear less likely to pounce, and it can help you avoid the urge to lean on a counter or put your hands in your pockets.

Smile. It makes you look more energetic, and you probably will be. Smiling not only signals acceptance and approval but also can reduce stress and fatigue.

For suggestions on how to encourage trade-show attendees to visit your booth, see "Introduce Yourself Before The Show," on Page 48. ■

NB TIP

Careful Generosity

Before making a corporate or personal donation to a charity, ask the organization what percentage of its revenue is spent on program services, apart from fund raising and administration. Be wary of groups that hesitate to tell, advises the Council of Better Business Bureaus, in Arlington, Va. To ask about a national charity, call the council at (703) 276-0100.

Also available is the council's *1996 Annual Charity Index* ($14.95 plus $2 handling), which has financial summaries of 207 national charities. For information on local charities, call the Better Business Bureau in your community. ■

Making It

Growing businesses share their experiences in creating and marketing new products and services.

Precision-Tooled Ambition

By Michael Barrier

In one sense, David Guidry doesn't have a lot of peers in his industry, especially in his native South. He can think of one man in Houston and another in Atlanta, and he doubts there are more than 10 in the country as a whole.

Those few people own machine shops like the one Guidry owns in Marrero, La., just outside New Orleans. There are, of course, many more than 10 machine shops in the United States, but very few whose owners are, like Guidry, African-American.

In another sense, though, Guidry, 37, has countless peers, of every color. He is first and foremost an entrepreneur, indistinguishable in many respects from millions of other small-business people, and more successful than most.

His Guico Machine Works moved last summer to a new, 20,000-square-foot plant, twice as large as the old one; the company employs about 35 people; and its annual revenues are running around $1.75 million. Guico specializes in the contract manufacturing of precision machine parts; its customers include defense contractors and companies in the oil industry.

For an entrepreneur like Guidry, race is only one of the many factors that must be taken into account in running a business. "I've always had the ability to distinguish between what was a small-business problem and what was a minority-business problem," he says.

He shuns set-asides for minority businesses, because, he says, "so many guys fail" when they emerge from the shelter of the program. (Set-asides channel federal contracts to disadvantaged—usually minority—companies.) In fact, he says, his minority status can sometimes be an asset: "I can gain access." And once he establishes himself with a customer, he says, race simply ceases to matter.

"I have had so much help from other small businesses," he says. "I've created a board of directors that consists of eight people—all of them except one are 55-year-old white guys. You'd be surprised how willing people are to give you a hand, if you just ask."

Guidry and his brother, John, started Guico in 1982. Guidry had been working in the oil industry as a technician, and "I kept seeing equipment that was down because they couldn't find spare parts for it," he recalls. He set out to serve that market, using $210,000 from a Small Business Administration-guaranteed loan to equip a machine shop.



Machine-shop owner *David Guidry, of Marrero, La., is enjoying "constant growth."*

The new company struggled at first. "That's the hardest thing there is," Guidry says, "to crank a company up. The one part of my life I would not want to repeat is the first 18 months of being in business." Guidry sold during the day; at night, he made parts. "I can remember going to make sales calls in the morning, in a suit," he says, "and my fingernails were full of grease." He took to cleaning his nails with a toothbrush.

By 1986, Guico was finally on its feet, with nine employees. Then the collapse of oil prices dealt a body blow not just to the oil industry but also to Guico. The company took another hit when the space shuttle Challenger exploded; with the shuttle program on hold, Guico's contracts in the aerospace industry dried up. "We lost about 80 or 85 percent of our business in a three-month period," Guidry says. His brother left the company during that time.

Guidry decided that there was no reason to look for a rebound anywhere near home—where there were "nothing but oil-field refugees"—so

890 **MassMutual.** Learn new insights on how to keep the family business within the family. Call today for our practical and authoritative booklet concerning the basics on succession planning.

863 **Dearborn Financial.** The Complete Book of Corporate Forms (print and disk) by Dearborn Financial can protect you legally and save you time and money. Call for a free sample.

880 **Cessna.** Tired of the cost and time wasted on commercial airline travel? Find out how your company can benefit from using a Cessna CitationJet.

892 **Ascom Hasler Mailing Systems.** Save money by learning how our new postal and shipping scales will make your mailroom more efficient and less costly.

872 **IBM PC Server** builds affordable, yet reliable servers that businesses can depend upon. Call today for more information about this product.

854 **Dale Carnegie Training®** gives your company the competitive edge with practical, concrete skills that provide quantifiable results. Dale Carnegie is the first choice of today's top businesses.

855 **Ryder Used Trucks** provides logistics solutions that can help you control costs while improving service and reducing inventories. Faster delivery and new markets are also benefits.

852 **Wyoming Economic Board.** Find out about the benefits of doing business in Wyoming. Call for information on the excellent business opportunities plus the unmatched quality of life.

856 **D&B Personalized Prospect Guide** has up to 1,000 contacts for just $100. Take the guesswork out of prospecting and call for free information.

849 **G&K Services.** Improve your company's image, promote teamwork, and increase productivity while providing protection and security with a uniform program from G&K Services. Call today!

858 **Royal Copystar.** Call for information about our desktop and high-volume systems. We offer a nationwide network of service personnel for your copier needs.

867 **Connecticut Mutual.** Call today for information concerning the Panorama© Variable Annuity fund. This tax-deferred retirement plan continues to be an impressive part of any financial portfolio.

GET THE FAX NOW

For immediate response from these advertisers call **1-800-597-7363**. Specify the three-digit number for the information, then provide your facsimile number. You'll receive the information within minutes. It's that simple and that quick. So you can get the facts you need now.

MarketFAX
1-800-597-7363

Nation's Business
The Small Business Adviser

875 **IBM PC Direct.** Genuine IBM Desktop Thinkpads and Servers are only a phone call away. Call today to get a copy of our latest specials by fax.

868 **Pitney Bowes** can help you discover how to keep mail processing cost-efficient and to avoid over-posting expenses. Call for cost-saving information.

851 **Prestige Images.** Have your company's logo prestigiously embroidered on a variety of quality apparel. Polo shirts, sweat-shirts, T-shirts, hats, leathers, neckties and other specialties. Call for a free catalog.

861 **Budget Rent-A-Car CorpRate® Program** saves your company money and time with a multi-tiered pricing structure. Design a program to meet your needs.

881 **American Life Insurance** can help your employees provide for their future with a tailored 401(k) pension plan. We have fourteen investment options and unlimited allocations.

864 **Quotesmith Corporation** offers free insurance price comparisons on rates and coverages of 400+ leading insurance companies. Call now for more information.

888 **Peachtree Software** is the true leader in accounting software. The easy-to-use Accounting for Windows, Release 3.0 helps you keep your books and manage your small business. Call to save $30 off the retail price.

848 **Mail Boxes, Etc.** The world's largest franchisor of neighborhood postal, business and communications service centers targeting small and home-based business owners and general consumers. Call for more information on franchising opportunities.

801 **Hammermill Jet-Print Paper** is formulated specifically for ink jet printers that use plain paper. This premium ink jet paper delivers consistent sharp, clear images that ordinary copy paper just can't duplicate.

802 **IBM** provides easy, affordable networking solutions for small businesses. Call for information on a free video plus a valuable IBM purchase bonus of up to 15%.

803 **MICA Accounting Software.** Move your business up from entry level accounting to a full-featured system without sacrificing ease-of-use. Our award winning multi-user software is now available for DOS and Windows.

he targeted the North instead. He chose Philadelphia because an airline ticket there was cheaper than a ticket to anywhere else he wanted to go. Then he called the Philadelphia Chamber of Commerce and asked for a list of manufacturers with more than 500 employees. The Chamber was extremely helpful, he says, and he picked out the companies he wanted to visit.

"We had never tried to be a national company," he says. "When I went up there, I was very surprised at the reception we got." People in the North, he says, harbor two stereotypes about people from the South, both black and white: "We're not quite as sharp as they are, but we've got a good work ethic. So they wouldn't give us anything very complex, but they'd give us an opportunity."

Guidry was quick to seize it. Within two years, he says, "we were shipping about 70 percent of our business outside Louisiana. That's when the whole world opened up to me, as to where all the opportunities were. We've never slid back any, since 1988. It's been constant growth." Now he is concentrating on heavy-equipment manufacturers. (Only about one-third of his sales are out of state now, though, because of the resurgence of the oil industry in Louisiana.)

He likens the black community to an emerging Third World nation, and he thinks that businesses like his own, by stimulating growth in the community—most of his employees are members of minority groups—can benefit both the community and themselves. "I would love to have a bank," Guidry says, "but I have to build this industrial sector first." ■

On-The-Shelf Technology

By Michael Barrier

Stand in a grocery store's aisle and glance at the shelves—at the labels on the shelves, in particular. What do you see? If you're like most people, you'll see a price, a product name, a bar code. If you're like Steve Bardwell, you'll see a business opportunity.

Bardwell, 37, is president of Electronic Imaging Services, a Little Rock, Ark., firm that makes bar-coded shelf labels for around 1,000 grocery stores across the country. He started the company 10 years ago, when he worked in data processing for Affiliated Foods, a grocery wholesaler.

Affiliated provided bar-coded shelf labels to its grocery-store customers. There were two companies making the labels then, "both located several states away," Bardwell says, "so we had an issue of time involved to get the labels in," as well as shipping costs.

There weren't any companies any closer to Little Rock that could do the work, so Bardwell decided to start one of his own—with a commitment in hand from Affiliated that it would be his first customer. He and four other investors chipped in $10,000 each, and they borrowed another $50,000.



Grocery-shelf labels *provide a niche for Electronic Imaging Services' founder Steve Bardwell, right, with Tim McKenzie, executive vice president.*

That $100,000 didn't go very far, since Bardwell had to pay $350,000 for a high-speed laser printer (it took five years for EIS to retire the debt). Today—with the price of comparable machines about half what it was then, he says—EIS has a half-dozen such laser printers scattered across the country. Its revenues this year will total $5 million to $6 million, Bardwell estimates; the company has around 60 employees.

But, Bardwell emphasizes, "the laser printers you can go out and get anywhere." What is proprietary to EIS is what Bardwell calls its "converting" equipment—that is, the equipment that converts paper into shelf labels.

"Our competition typically prints on vinyl," he says. "Because we print on plain paper, it opens up a wide realm of possibilities in terms of what you can print. What our converter does is to make [paper] as durable as vinyl," by sandwiching the printed paper between two layers of lamination, and applying adhesive on the back.

Once a set of labels has been printed and laminated, EIS can cut them into more than 100 different sizes and shapes. Its customers provide the data for the labels, transmitting the information to EIS electronically or providing it on a magnetic tape.

"We like the grocery industry," says Tim McKenzie, EIS's executive vice president, "because they change prices quite regularly. Every time they do that, it requires a new tag." For that same reason, though, turnaround time is as much an issue now for grocery stores—it's "pretty tight," McKenzie says—as it was for Steve Bardwell at Affiliated Foods 10 years ago.

"What we heard time and time again, when we were marketing to grocery chains," Bardwell says, "especially outside of Arkansas, were all the same negatives that I saw when I made the decision to start my own business. So we began to say, what would it take for us to locate near our customers, instead of having them come to us?"

EIS now has a facility in Philadelphia that makes labels for the 270-store Acme Markets chain, and another in Houston that makes labels for all the Kroger grocery stores in Texas. EIS opened in Memphis, Tenn., and in Columbus, Ohio, in September.

Because EIS has no patent protection for its processes, it has to think about protecting itself from competitors by speeding up its expansion. "We're getting pretty aggressive in terms of our growth," Bardwell says. "It's kind of like McDonald's—they got out there and got all the good corners. That's what we're trying to do." ■

Magnets For Young Readers

By David Cupp

When Wendy Goldstein tried to fashion a college major for herself in costume design, her professor said no one could earn a living in that field.

He was almost right. Today, 20 years later, Goldstein is one of a handful of major costume designers between New York and Los Angeles. Rather than creating the theatrical costumes she envisioned in her Ohio State University days, however, the Columbus entrepreneur breathes excitement into children's book illustrations, turning them into larger-than-life costumes depicting characters that range from the traditional Winnie-the-Pooh and Babar the Elephant to the contemporary Stinky Cheese Man.

These costume characters are magnets, drawing young people into books. Every week Goldstein creations traverse the nation, delighting children in schools, libraries, and bookstores. At each location, librarians, store employees, or teenagers hired for the occasion don the costumes, and book characters come alive. After a week, the costumes—so in demand that many are booked two years in advance—are shipped to a new site.

Goldstein's company, Costume Specialists, Inc., sells her creations to such publishers as Penguin USA, Simon and Schuster, and Houghton Mifflin and to such chains as Borders Books & Music and Barnes & Noble.

The complicated costumes are built in a renovated warehouse near downtown Columbus. Each consumes 60 to 80 hours of artistic effort and costs up to $3,000 in materials and labor to produce. Goldstein's 13 employees—including an artisan who defected from Jim Henson Productions' Muppets—produced 200 characters last year.

David Cupp is a free-lance writer in Columbus, Ohio.

Costume Specialists, which now brings in $600,000 annually, didn't happen by accident, but it wasn't entirely planned, either. After graduation in 1975, Goldstein went to work as a buyer for Lazarus Department Stores in Columbus. But the special-events department got wind of her design abilities, and soon she developed a sideline to her regular job, creating characters for sales meetings and executive breakfasts.

When Lazarus changed its Christmas theme from Santa to "The Nutcracker" ballet, Goldstein bid on the costume work, not knowing how she would complete the $20,000 job. "I called a bunch of my friends, and we sat in my basement and sewed," she recalls. Costume design, Goldstein realized, could be a business.

She incorporated Costume Specialists in 1982 and generated $40,000 in her first year. Until 1988, her work remained local. But that year a friend told Goldstein that Child's World, a now-defunct retail chain in Boston, was looking for panda bear costumes to complement its panda logo.

"I just had a gut feeling," says Goldstein. She called and volunteered to fly to Boston and make a presentation. When it was over, she had an order for 176 panda costumes.

As Costume Specialists became nationally competitive, the number of costumes for each order grew: Instead of one or two, clients ordered dozens.

Glass and china maker Royal Doulton contracted Goldstein to create a costume character of Peter Rabbit to promote a figurine and book Christmas gift set. And that character led Goldstein to her clients in the book publishing industry.

Opportunity never has to knock on Goldstein's door twice. Sitting in a Penguin marketing office in 1993, she noticed trunks of costumes—some of them hers—packed into hallways and nearby cubicles. They were waiting to be cleaned, repaired, and shipped into the field again. When the marketing staffer said she detested that part of her job, Goldstein offered to take over the shipping and repair.

That conversation launched her into costume management, now the fastest-growing facet of Goldstein's business. The company manages costumes for more than half a dozen clients, including comic-strip syndicator King Features.

Costumes are booked, computer-tracked, and shipped to different locations, and every three months they are brought in from the field for cleaning and repair.

As many artistic entrepreneurs have discovered, being a business owner often means giving up what drew you into business in the first place. Instead of designing the costumes herself, Goldstein now concentrates on teaching other designers to carry out her vision and on making sure they have the communication skills to work with clients. You need to give clients what they want, she says, "not what your ego wants to produce."

As she sees it, her creativity is just being channeled in a new direction. "I get a huge charge out of the pulse of the business, finding new markets," she says.

And risks are important, Goldstein contends. "If you don't take the risks, you'll always wonder what you might have been." NB



Storybook characters *like Madeline have propelled Wendy Goldstein's Columbus, Ohio, costume company to $600,000 in annual sales.*

COVER STORY

Growing More By Doing Less

By Dale D. Buss

Tom Asacker is a manufacturer who doesn't actually manufacture much. Drop by his company, Innovative Medical Systems Inc., in Manchester, N.H., and here's what you'll see: final assembly, quality assurance, strategic marketing, and customer service.

That's because those are practically the only functions that Innovative's 25 employees perform themselves. Most other activities, including manufacturing of subassemblies, product design, computer networking, payroll administration, and direct mailing and advertising placement, are conducted by outsiders.

"We practice outsourcing both strategically and by necessity," says the 39-year-old Asacker, whose company sells devices for preventing sleep apnea (a common breathing disorder during sleep) as well as specialized mattresses designed to prevent bedsores. "I believe I improve my quality and responsiveness to the market by outsourcing to experts the things that I'm not expert at. And if I can get to the market fast with the highest-quality products using outsourcing, I've won for the long term, too."

Winning is what outsourcing is all about. Small enterprises such as Innovative Medical are making outsourcing an increasingly popular—and profitable—way to do business.

In fact, small firms that do a lot of outsourcing tend to be more robust than their counterparts that do everything in-house, according to a survey of fast-growing small firms by Coopers & Lybrand, a national accounting and professional-services provider. Of the nearly 400 small companies surveyed—with median revenues of $6.5 million and median employment of 66 people—two-thirds used outsourcing.

The payoff? Their revenues, sales prospects, and growth rates all significantly exceeded those of companies that reported no outsourcing.

Small firms in particular find outsourcing fits their business needs. In a survey of chief financial officers of nearly 700 randomly selected companies, Olsten Corp., a staffing-services firm headquartered in Melville, N.Y., found that companies with fewer than 100 employees are significantly more likely to contract out some or all of nine major administrative functions than are larger companies. The functions ranged from tax compliance to cash management.

"Initially, outsourcing was something that very large companies did that were in trouble; it was a controversial move," says Frank Casale, executive director of the Outsourcing Institute, a New York City company that provides information and runs seminars on outsourcing. "Now, it's more accepted as a strategic-management tool for use by businesses of all sizes as compared with a last-second maneuver by a company that has run out of choices." (See the box on Page 22.)

In fact, business owners and outsourcing experts alike say that, at its best,

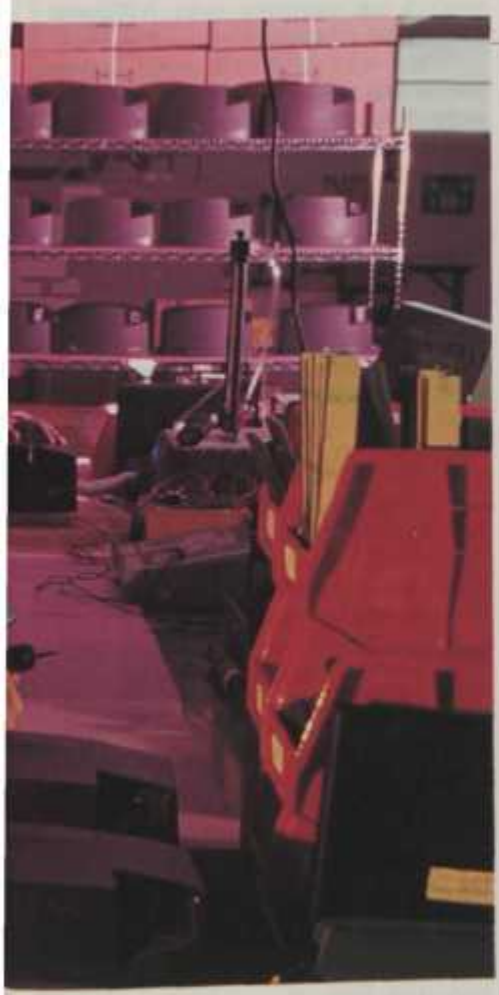


PHOTO: ERICK FREEDMAN—BLACK STAR

To respond quickly *to changes in his market, Tom Asacker outsources to other companies most of the manufacturing for his medical-equipment firm.*

Outsourcing enables companies to focus on core activities and increase flexibility by knowing when to farm out functions best done by others.





outsourcing allows companies to concentrate on what they do best—their "core competencies." It enables them to have all other functions performed more efficiently at a lower cost and higher level of competency by companies that themselves are performing in their own key areas of expertise.

Says Casale: "Smart companies now want to have as small a work force as possible, be able to turn on a dime, and have access to world-class resources." Outsourcing is their ticket.

For a practice that is spreading so fast, the exact definition of "outsourcing" remains fuzzy and fluid. It now encompasses the selective, short-term use of one or two solitary contractors or consultants, such as a controller or a graphic artist, as well as open-ended contracts with huge service providers for dozens or hundreds of temporary or leased employees.

When business owners use the term "outsourcing," they now mean everything from what traditionally would have been known as simple vendor relationships to the dramatic reshaping of an entire company.

"The definition is very vague, and it's becoming broader all the time," says Steven A. Tessler, president of Corporate Management Group, a New York City firm that leases employees to small businesses.

Payroll services, tax compliance, employee benefits, and claims administration are the most commonly outsourced services, according to the Coopers & Lybrand survey.

And now, small companies also are outsourcing a growing list of other major and minor functions, including equipment maintenance, manufacturing, sales representation, internal auditing, and accounting.

Other activities increasingly being outsourced include copying and faxing, professional services such as legal advice and public relations, transportation, telemarketing, merchandising, export freight forwarding, and even design engineering and strategic planning.

Clearly, many small businesses have moved from outsourcing solely peripheral tasks to contracting out multiple functions that they depend upon for success.

The ultimate manifestation of outsourcing is today's "virtual" company, an entity held together only, in the most extreme examples, by a strong idea and one person who orchestrates a number of service providers. (See the box on Page 21.)

The Outsourcing Institute and other experts say that outsourcing makes good business sense for a number of important reasons, such as these:

Costs Decline, Capital Is Freed

Outsourcing often reduces operating costs, mainly because outside providers of a single type of service have a lower cost structure gained from economies of scale. If an outside firm is providing the same service to multiple clients, it can, for example, buy in bulk and schedule equipment maintenance regularly.

Companies surveyed recently by the Outsourcing Institute reported their costs dropped an average of 9 percent in the functions they outsourced.

The practice also turns fixed costs into variable ones that can more easily be curtailed when necessary, helping small companies keep their cost structures in line with the ups and downs of their business. Because funds are not tied up in secondary functions, they are more readily available for investment in core areas of the business.

When Sam Hafif launched Impulse Items Inc.—a $4 million marketer of bows, barrettes, and other hair accessories for women—four years ago, outsourcing provided the boost he needed. "This started as a one-man show with less than $10,000 in capital," he says of his New York City business. "I didn't have the resources to start my own factory. Had I not been able to outsource the labor, I wouldn't have been able to do the business."

Hafif's 10 regular employees take care of product design, marketing, shipping, and merchandising. In addition to contracting out for the manufacturing, he now outsources collections and receivables, and, through eight independent representatives around the country, all of Impulse's sales. Hafif says it's crucial to keep certain functions in-house. "We have to handle our merchandise a lot once it's finished, like pricing it and tagging it for customers," he says. "I like to control it and see the product just before it leaves."

Roadblocks Disappear

Someone else can be responsible for functions that have proved difficult to

manage. An expert can handle growing or new functions for which a business has no internal resources.

"Our customers don't have to worry about a machine being down or approving 50 invoices at a time for supplies, personnel, and payroll," says Stanley Katz, chairman of Archer Management Services, a New York City-based firm that provides copying, faxing, mailing, and other records-management services. "They pay us once a month, and everyone kind of smiles."

Archer also recruits, hires, and trains all the employees for these operations, manages everything from equipment leasing to payroll, and provides regular reports to clients about its performance.

Convenience is a big reason why human-resources management is one of the hottest areas of outsourcing, especially for small companies. More than half the human-resources and administrative officers interviewed in a 1994 survey by the Conference Board, a New York City business-policy organization, stated that they had plans to outsource a growing list of functions.

"Our business is growing because of the avalanche of government regulations that are heaped on the small-business owner that have nothing to do with what those businesses do for a living," says Tessler of his employee-leasing firm.

Strategic Advantages Emerge

Outsourcing helps small companies maintain a streamlined structure, closely manage growth, and spread risks.

A business can expand rapidly by using outsourcing to deliver all the capabilities of a larger firm without the expense and delay of directly acquiring and managing each new resource needed.

Walter Roth has drawn several of these strands into his rationale for outsourcing. He is executive director of a Chicago law firm, Bates, Meckler, Bulger & Tilson. The two-year-old firm has about 75 employees and leases about 10 workers from Archer Management and two other companies to handle the mail room, accounting, and information systems.

"I do less total management of this enterprise than I have in past jobs because I don't have to waste my time staying on top of everything that's going on in the computer field or the fax field," says Roth.

The leased workers are regarded in many ways like the firm's regular employees, invited to participate in Friday-night social functions, Christmas parties, and the like.

And Roth believes he gets better workers than he would otherwise. "They actually stay in our firm longer, because they have a better [career] opportunity," he says. "If my accountants weren't outsourced, they basically would have nowhere to advance in this firm."

A Way To Gain Expertise

Through outsourcing, a business owner can gain access to highly specialized, sophisticated services without having to add to the payroll or be obligated to use the specialist for a long time.

Such an option can prove especially helpful when a company faces, say, a key research-and-development project or marketing thrust.

The practice also gives owners continuing access to state-of-the-art expertise on complex subjects such as computer networking or pensions and 401(k) plans.

"Many of these companies want to get a Cadillac, but their budget will only buy them a Chevrolet," says Jack Erdlen, president of Strategic Outsourcing Inc., a Wellesley, Mass., firm that supplies human-resources management. "So they lease a Cadillac on a temporary basis."

Even a start-up company can have instant access to highly specialized services. For example, a firm that skillfully uses direct mail, infomercials, or other media to create massive demand for a new product can outsource order fulfillment and related functions.

"The life of a telemarketing service bureau depends on doing a better job than companies can in-house," says Adjan Tehrani, publisher of *Telemarketing* magazine.

Outsourcing has helped Muller Media Conversions gain access to an important function that it otherwise would go without: marketing. The $2 million, 12-employee New York City firm converts files from old mainframe computer systems to PC-based systems and has been busily servicing clients ranging from Chemical Bank to the federal government's National Archives.

"We're still a small-enough company that it would be difficult for us to justify hiring a high-powered marketing executive—I'm it," says Chris Muller, the firm's president. "But when I do need those kinds of services, I want the best I can get; I want someone with lots of experience in marketing."

So Muller turns to Planned Growth Co., a New York City consulting firm, to handle marketing communications and even strategic planning.

Management Pluses

Business owners who do a lot of outsourcing say it reduces turnover because it helps them avoid the cycle of hiring people for every function when business is good, having to shed them when times are bad, and then trying to rebuild the company's human capital when business picks up again.

What's more, it may bring them in touch with high-quality potential employees.

"I like to keep everybody that works here stretched and excited and constantly on the go, and the best way for me to do that isn't to add people prematurely," says Asacker of Innovative Medical Systems. "If I see peaks of activity, I outsource that until I can prove to myself that it isn't a blip. I want to keep a stable work force and not add people only to have to let them go."



PHOTO: ELISA GURNONE'S—BLACK STAR

Hair-accessories *entrepreneur Sam Hafif keeps product design, marketing, shipping, and merchandising in-house—with the help of assistant Josefina Carrion—to assure quality before merchandise goes to customers.*

Virtual Companies, Real Profits

Black Rock Ventures is a company that's nearly invisible but has generated roughly $10 million in sales in its first year of operation. One secret to its success is that the Englewood, Colo., company, the maker of the Killer Bee golf driver, is a prototype of the "virtual company."

"We outsource everything," says Larry Hoffer, Black Rock's general manager and one of its five full-time employees.

Black Rock farmed out to a New Jersey company the design of the Killer Bee—which is 2 to 3 inches longer than a traditional driver—uses five marketing agencies around the country for its TV infomercials and other promotional activities, and has two Asian companies produce the club components and two American contractors assemble them. A local company handles telemarketing, order fulfillment, and customer service.

"We basically spend our time managing our vendors and planning our strategic direction," says Hoffer. He also is one of the more than 40 investors who formed the company last year to capitalize on a perceived niche in the burgeoning golf-equipment market.

The Definition Of Virtual

What makes Black Rock "virtual," in today's business parlance, is its outsourcing of so many functions in dogged pursuit of low overhead, its seemingly unlimited flexibility, and the savvy leveraging of resources that has generated quick growth.

Hoffer says Black Rock may bring in-house a few vital functions, such as customer service, as the company expands with new products and better marketing. But "we don't want to grow this beyond probably 20 employees. We'll leave all the messy stuff to outside people."

The virtual-company concept exploded onto the American business consciousness several years ago as analysts tried to articulate what was happening. On the one hand, Fortune 500 companies continued downsizing and re-engineering. On the other, more-nimble, entrepreneurial businesses ascended in the U.S. economy.

But it has taken some time for the reality to catch up with the theory. ("Virtual" also has been used to describe companies' use of the Internet and other computer networks.) "The 'virtual company' was kind of a neat catch phrase that you didn't actually see much of in practice for a while," says Frank Casale, executive director of the Outsourcing Institute, in New York City.

You don't have to be a multimillion-dollar company like Black Rock to be virtual. Public-relations company owner Rob Beswick likes to think of his approach as "insourcing" the functions he needs to create and execute the business he wants. He has a full-time staff of just four people and relies on a tightly strung-together band of independent designers, writers, photographers, and others to keep growing his firm, which specializes in marketing communications for manufacturing technology. (For a look at issues surrounding the use of independent contractors, see Page 26.)



PHOTO: WILLIAM SOLDSMITH

Calling it "insourcing," *Rob Beswick, right rear, supplements his public-relations firm's core staff with a network of independent professionals.*

'Greater Value For The Dollar'

"I bring in the talent I need to do the job, so I can provide much greater value for the dollar spent by my clients," says the 48-year-old president of Beswick Communications Inc., in Pittsburgh. "I can provide a level of creativity in advertising, for instance, and a level of design excellence in any project that I wouldn't be able to offer if I had to hire the same people and keep them on the payroll."

Cat's Pajamas has been virtual—and not so virtual. Several years ago, the St. Paul, Minn., graphic-communications company had four full-time employees in addition to the owners, husband and wife Michael Hazard and Patricia Olson. But the couple didn't like what began happening to the core of their business. "We were evolving away from Pat and Mike doing creative communications for individuals and companies to Pat and Mike managing a business, having account executives, and creating more of a hierarchy of production, which we didn't like the feel of at all," says Hazard.

So Cat's Pajamas gradually eliminated its full-time staff in favor of a latticework of relationships with artists, writers, videographers, and other professionals in a virtual-company arrangement that has worked out much better. "The beauty of it is that, as a virtual company, we can grow and shrink depending on the flow of work," Hazard says.

Working Over The Garage

The M.S. Harman Co. is about as virtual as a small company can get. The Columbus, Ohio, firm grosses about $500,000 a year supplying oil-can and other plastic spouts to big retail customers, including Wal-Mart and Kmart. Yet M.S. Harman Co. is basically just Walt Harman and his son, Doug, operating from an office over Doug's garage.

Walt handles product development and marketing; Doug does administration. They contract out package design and product prototyping to local shops, manufacturing of the spouts to a company in China, and packaging to a nearby firm.

"Most companies that get into financial trouble put too much money in the beginning into rent and maintenance," Walt Harman says. "When you have a building, you have to have equipment and someone to operate that equipment. We prefer to put our money into calling on clients and communicating with them and improving our products."

COVER STORY

Outsourcing can have drawbacks, however. The biggest, many consultants and business owners say, is that the more a company outsources, the more difficult it is to establish and cultivate a corporate culture that can hold a work force together. And the fewer functions that business owners manage directly, the less control they have over their enterprise.

Jim Dahms knows what that is like. A little over a year ago, he and Frank Healey, co-owners of Levart Travel, in San Jose, Calif., began leasing their work force from a local company. They essentially turned over direct management of their 12-person staff as well as administration of Levart's payroll, benefits, and other personnel functions for a fee of 2.5 to 4.5 percent of payroll.

Initially, Healey was pleased that, as part of a much larger company, the people who worked at Levart could get much better health benefits and a retirement plan.

But the arrangement quickly soured. The leasing company was slower to dismiss problem employees than the owners wanted—a sticky situation in a service-oriented business. And a thick manual of complicated rules emerged in place of the few simple, internalized precepts that had governed the workplace at Levart.

"Our employees were no longer our employees," recalls Dahms. "There were just so many negatives that we decided we wanted to control everything again ourselves."

Levart's experience was more the exception than the rule, however. The Coopers & Lybrand survey showed that only 17 percent of the nearly 400 companies contacted reported that they might eventually bring any major outsourced activity back in-house.

And only 4 percent reported that their costs went up because they used outside providers.

Before jumping onto the outsourcing bandwagon, it's important to do your homework to ensure that outsourcing would be right for your company.

Management guru and former McKinsey & Co. consultant Tom Peters has called companies' decisions about which functions to outsource "perhaps today's primary strategic tasks." And once you have made the leap, there's still plenty of work left to develop and maintain a smooth relationship.

Arthur Andersen, the nationwide accounting and consulting firm, has come up with an "outsourcing framework" designed to serve as a guide for doing the

Continued on Page 24

Small Firms, Big Clients

Ken Cihlar and Dan Trudell are living happily on the flip side of the outsourcing boom: They are cashing in on the move by big companies to contract out more work.

Their small company, Ci-Dell Plastics Inc., is growing at a rate of about 25 percent a year by making millions of molded plastic parts better and at less cost than their big-corporation customers can.

"We've saved 10 to 15 percent in costs, improved the mold quality, and cut the cycle time by converting it to a different process than they were using," says Cihlar, as he retrieves a 1-inch-square plastic part for an electrical switch produced by a giant local manufacturer.



PHOTO: BRUCE BUCHANAN

Plastic-parts *makers Ken Cihlar, left, and Dan Trudell benefit from outsourcing from large corporate customers.*

Moving several feet away to another machine, Trudell points out how Ci-Dell was able to help another big company cut costs significantly by taking over production of a half-million pieces a year of one tiny part. What's more, "we were able to remove a step from the process by molding a hole into the part, which our customer had been drilling out instead. And everything we did made the part stronger, too."

With just 25 employees, Milwaukee-based Ci-Dell is one of thousands of small businesses nationwide that are reaping big gains as outsourcing has become a common modus operandi of more and more large American companies.

Often opportunistic and entrepreneurial, these suppliers are benefiting from several trends: "creative destruction," in which large corporations are reformulating themselves and shedding big portions of their work forces; "corporate unbundling" by big companies that are farming out more and more functions; and the growing willingness of major corporations to enter partnerships with small firms.

Small companies "have become major players in the outsourcing market," says Gordon Bingham, senior vice president of marketing for Olsten Corp., a major provider of temporary and leased employees.

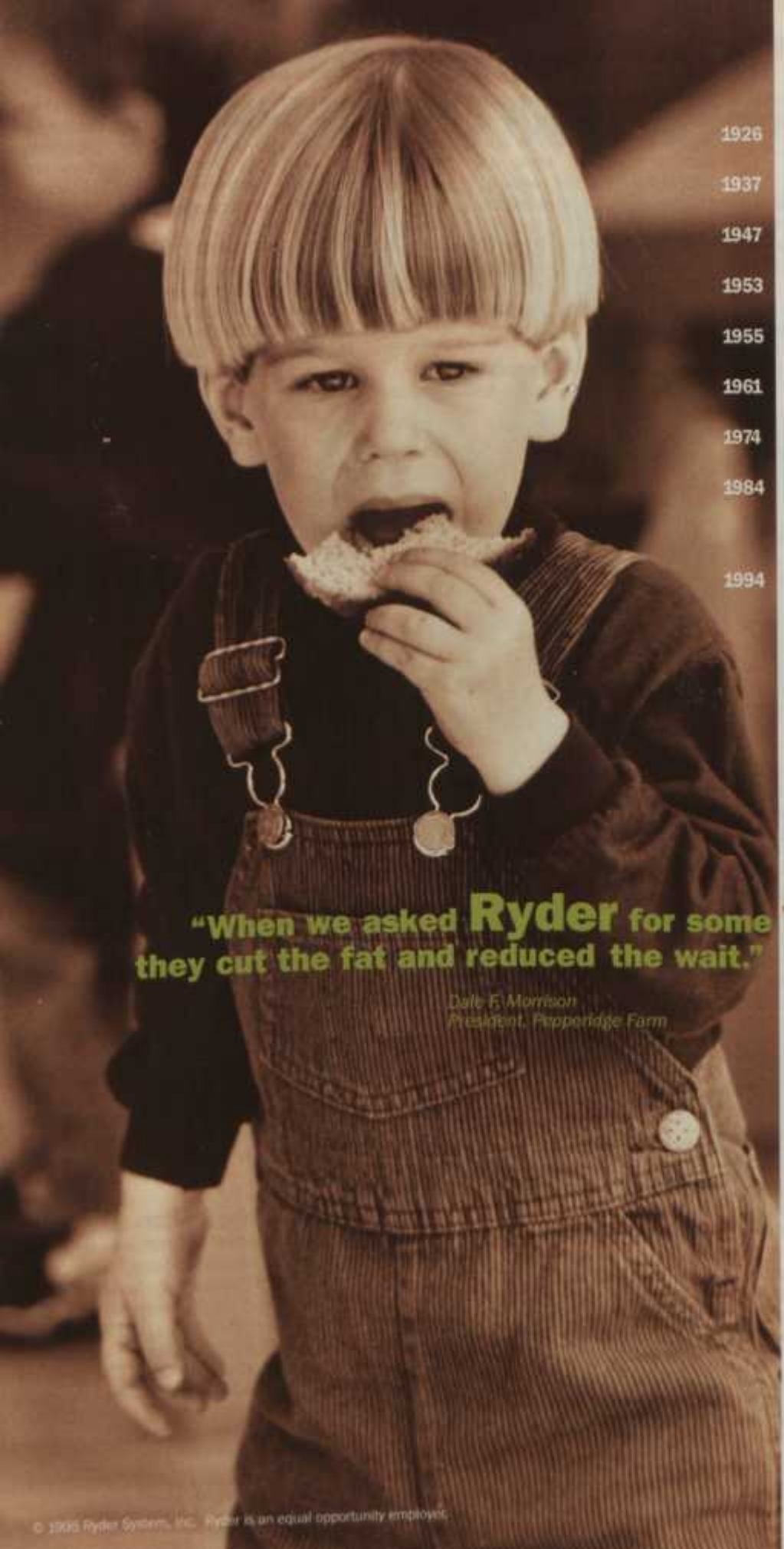
Some once-small firms tap a particularly rich outsourcing vein and grow explosively. That's what happened to Paranet Inc., a Houston-based provider of outsourced computer networking services. Founded in 1991, Paranet employs more than 400 in 15 offices around the country. The company expects revenues of $32 million this year and about $75 million next year. Almost all of the firm's 100 or so customers are big corporations.

"We've grown so fast because we're willing to focus exclusively on the needs of each of our customers in their own context," says Michael Holthouse, Paranet's 37-year-old president and founder. "We don't sell any hardware or software, for instance, so we can be completely focused on how the customer defines success, not how we define success."

Like Paranet, PIMMS—Professional Inventory Management & Merchandising Service—has leveraged outsourcing to phenomenal growth. The Minneapolis-based company has grown annual revenues to $10 million since 1988 by taking over merchandising duties for more than 100 major manufacturers that supply large retailers such as Wal-Mart and Kmart.

PIMMS' 75 employees and 4,500 independently contracted merchandisers check inventories, restock shelves, assure pricing accuracy, hand out coupons, place point-of-sale promotional materials, and monitor the competition for their customers.

Lisa Smith, the 38-year-old former department-store merchandise buyer who founded PIMMS, has set an ambitious goal of making PIMMS a $100 million company by about the turn of the century.



"When we asked Ryder for some fresh ideas, they cut the fat and reduced the wait."

Dale F. Morrison
President, Pepperidge Farm

Pepperidge Farm

1926	Margaret Rudkin buys farm filled with pepperidge trees.
1937	Starts mail-order bread business out of her kitchen.
1947	Opens first of eight modern bakeries.
1953	Over one million loaves of bread produced per week.
1955	After trip to Brussels, inspired to produce elegant cookies.
1961	Joins forces with Campbell Soup Company.
1974	Enlists Ryder Full Service Lease to help improve customer satisfaction.
1984	**Integrated Logistics from Ryder helps Pepperidge Farm deliver the freshest product to market, from oven to shelf in no time at all.**
1994	Commitment to quality and excellence causes sales to exceed $600 million.

Speed Products to Market

Improve Customer Satisfaction

Free Working Capital

Reduce Inventory Investment

Expand Globally

What can we do for you?

1 800 RYDER OK
Ext. 451

Integrated Logistics From

RYDER.

http://www.ryder.inter.net/ryder/
Circle No. 30 on Reader Service Card

© 1995 Ryder System, Inc. Ryder is an equal opportunity employer.

Continued from Page 22
job right. Following are the steps that the firm suggests:

Identify Core Competencies

If it's core—vital to how your company gains a competitive advantage, adds value for customers, or propels growth—keep it in-house. In fact, you should pour more investments into those areas.

"Each company should work very hard at making sure its first-dollar investment is always going to what it considers to be its core," says Jim Emshoff, president and CEO of IndeCap Enterprises, a Lake Forest, Ill., outsourcing consultant. "If you've chosen wisely in that area," he says, "then I don't think you can overdo outsourcing."

Consider Outsourcing Everything Else

If a task isn't a core competency, especially if it's nonstrategic but fairly complex, consider outsourcing it. Says Archer Management's Katz: "Anything that isn't revenue-generating should be regarded as a distraction."

Issues involved in deciding what to outsource include quality vs. cost and evaluating the benefits of contracting out vs. the risk of losing control. "If the function is of high quality and low cost, it would be a low priority for outsourcing," says Ron Stratton, of Arthur Andersen. "A low-quality and high-cost function would dictate a high priority for outsourcing."

Understand thresholds at which outsourcing is worthwhile. Whether to retain a single consultant might be an obvious judgment if a company couldn't afford to add to the payroll what the consultant brings to the table or if the expertise is needed only for a short time.

But an employment base of more than 100 might be the minimum for a business owner to consider outsourcing commodity-type services such as mail-room functions.

Select And Guide Suppliers Carefully

Consider lumping together as many outsourced functions as possible with a single supplier, advises Gordon Bingham, senior vice president of Olsten Corp. That could save a lot of money.

Also, carefully communicate your standards of performance, in all their dimensions, to potential suppliers. "If you don't establish good standards, your outsourcer will tend to bid on price alone, and then you think you've got a good deal because you've got the lowest price," says IndeCap's Emshoff. "But in reality, you won't get the service you wanted."

Build in solid performance guarantees such as a certain level of savings on payroll, tax-compliance, or health-care claims administration services. "If your supplier slows down or gives you poor service in a key area, you could find yourself a business casualty," says Peter Collins, director of entrepreneurial advisory services for Coopers & Lybrand.

"The moral of the story is to pick your partners carefully and perform good due diligence," says Collins. "You might even consider hiring an outsider to help you with that process."

Plan The Transition To Outside Suppliers

If a function performed in-house is going to be contracted out, says Arthur Andersen's Stratton, both you and the service provider must plan carefully for the transition.



PHOTO: GLINDA SUE SCOTT

Travel-agency owners *Frank Healey, left, and Jim Dahms tried outsourcing their staff but they didn't like the results.*

When possible, make the vendor subject to your code of ethics and business standards and your policies.

Naturally, business owners should appropriately safeguard proprietary and sensitive information to an even greater extent than when dealing with full-time employees. But they also should remember that there would be little to gain for most outsourcing suppliers by abusing confidences.

"That virtually never happens," says C. Stephen Carr, president of IPT Corp., a Palo Alto, Calif., company that provides engineering outsourcing. "Our business is creating products for other businesses; we don't take from them. And we certainly don't call a competitor. That would be death for our business."

Monitor And Evaluate Performance

Collins says companies "must not lose sight of the function even though they've outsourced it. You might have, say, a vice president of administration who's comfortable wearing lots of hats and who knows a little bit about a lot of different areas."

Establish designated people on the company side and the supplier's side to communicate daily. Strategic Outsourcing's Erdlen suggests setting up a "maintenance person" on the inside to be the ultimate decision maker on personnel matters and a liaison to the outsourcing provider. "You don't want an outsider dictating that," Erdlen says.

Roth, of the Chicago law firm, says: "I'm a control freak, and I've lost no control. The arrangement with each of our outsourcing firms is that their folks function in a matrix-management environment, reporting both to them and me. I'm the customer, regardless of whether my name is actually on their paychecks."

Emshoff tells his clients to set up regular meetings between top managers of both their company and the outsourcer, and he says each should poll in advance people on their respective sides about how the relationship is going.

"That can help build a long-term partnership so you're not rebidding the service every year," he says. "It takes time to build the linkages, and it takes work. But once it's done, management inside the company can concentrate on things that are going to grow revenues and profits."

Outsourcing in the '90s has emerged as an essential growth strategy for forward-thinking small firms, says the Outsourcing Institute's Casale. "Virtually any small business right now can sign a contractual relationship and have access to world-class support regardless of size," he says. That wasn't true 10 years ago. Soon it will be taken for granted. ■

To order a reprint of this story, see Page 77. For a fax copy, see Page 35.

YOUR COMPANY RETIREMENT PLAN MAY BE AS IMPORTANT AS YOUR BUSINESS PLAN.

You wouldn't dream of running your company without a business plan. So why keep putting off a company retirement plan? It can give you significant tax savings now and help provide financial security down the road.

Reduce your taxes. Contributions to Schwab retirement plans are tax deductible so you can lower your taxes by as much as $30,000, depending on which plan you choose.

We'll help you select the right plan. Schwab has an array of plans for self-employed people and small company owners—Keoghs, SEP-IRAs, SARSEP-IRAs—and we can help you choose the plan that may be best for you.



Choose from over 900 mutual funds. As a Schwab customer, you can select from a wide range of investments including mutual funds from a wide variety of well-known fund companies plus stocks and bonds. You'll enjoy Schwab's everyday low commissions and personal service with no sales pressure.

Be smart. Do it now. The deadline to open a Keogh for your 1995 contribution is December 31, so call Schwab right now and get *The Charles Schwab Guide to Small Company Retirement Plans*—free.

Charles Schwab

Helping Investors Help Themselves®

1-800-540-9719 ext. 47F

http://www.schwab.com

©1995 Charles Schwab & Co., Inc. All rights reserved. Member SIPC/NYSE. (11/95)

MANAGING

Shaky Declarations Of Independence

By Robert T. Gray

Billie Vester Rasbury built a very successful business in a very tough industry—logging.

But he later wound up living in an abandoned school bus until he managed to find work repairing refrigerators part time.

His troubles began when the Internal Revenue Service accused him of misclassifying employees as independent contractors while he was running his business. It eventually demanded more than $200,000 as retroactive payment of taxes the agency said he should have withheld, plus other levies.

Two federal courts said the IRS was wrong, and the government backed off on further appeal. "The IRS lost about every way it could lose," an appeals court said of a lower-court decision.

But that didn't save Rasbury's business. His experience is just one of many similar ones that show why the federal government's way of determining whether a worker is an independent contractor or an employee is now officially the No. 1 concern of small business.

Rasbury's company, Bill's Forestry Service of Fayette, Ala., was a logging contractor for big wood-products companies, delivering logs to their local processing plants at a set price per ton. Operating under established practice in the industry, Rasbury contracted with workers to cut the trees and paid them a per-ton rate. As independent contractors, those workers assumed the responsibility for paying income, Social Security, and other payroll taxes.

In 1989, however, an IRS agent held that the workers were employees, not independent contractors. Bill's Forestry received an IRS bill for $161,502.69 for allegedly unpaid taxes, a sum that the agency later raised to $211,776.

At that point, the IRS actually did not know if the workers had paid the taxes. It told Rasbury that he could reduce his tax liability by having individual crew members sign IRS Form 4669, a declaration that they had paid taxes on the payments they had received from Rasbury's company.

Robert T. Gray retired last year after 26 years with Nation's Business, *13 as editor.*

Rasbury collected the signed forms from 94 percent of the crew members, but the IRS countered that several of the forms were untruthful.

For a time during the controversy with the IRS, Rasbury tried to operate as an employer, paying the workers as employees, but the added costs proved more than he could handle in a highly competitive field, and he eventually went out of business.

Later, a federal bankruptcy court, upheld by a U.S. District Court, found that the loggers had been independent contractors under the two principal standards in use today—the 20-part common-law test used by the IRS in determining whether a worker is an employee, and a "safe harbor" law that can shield companies from IRS demands for back employment taxes if the firms have met certain qualifications. (See the box on Page 28 for details on the 20-point test and the safe-harbor law.)

Although the IRS lost the case, Billie Vester Rasbury didn't win. "He lost it all—his business and his dignity," says his lawyer, Bruce P. Ely of the Tuscaloosa, Ala., firm of Tanner & Guinn.

Cases such as Rasbury's are behind a new drive to achieve something that has eluded Congress and the IRS for at least 60 years—a clear-cut standard for determining whether a person providing services is an independent contractor or an employee.

The issue's growing importance to small business was dramatically spotlighted in June when the White House Conference on Small Business put it at the top of its list of recommended policy changes for improving the nation's entrepreneurial environment. "The definition of an independent contractor must be clarified," the conference report said. "Congress should recognize the legitimacy of an independent contractor."

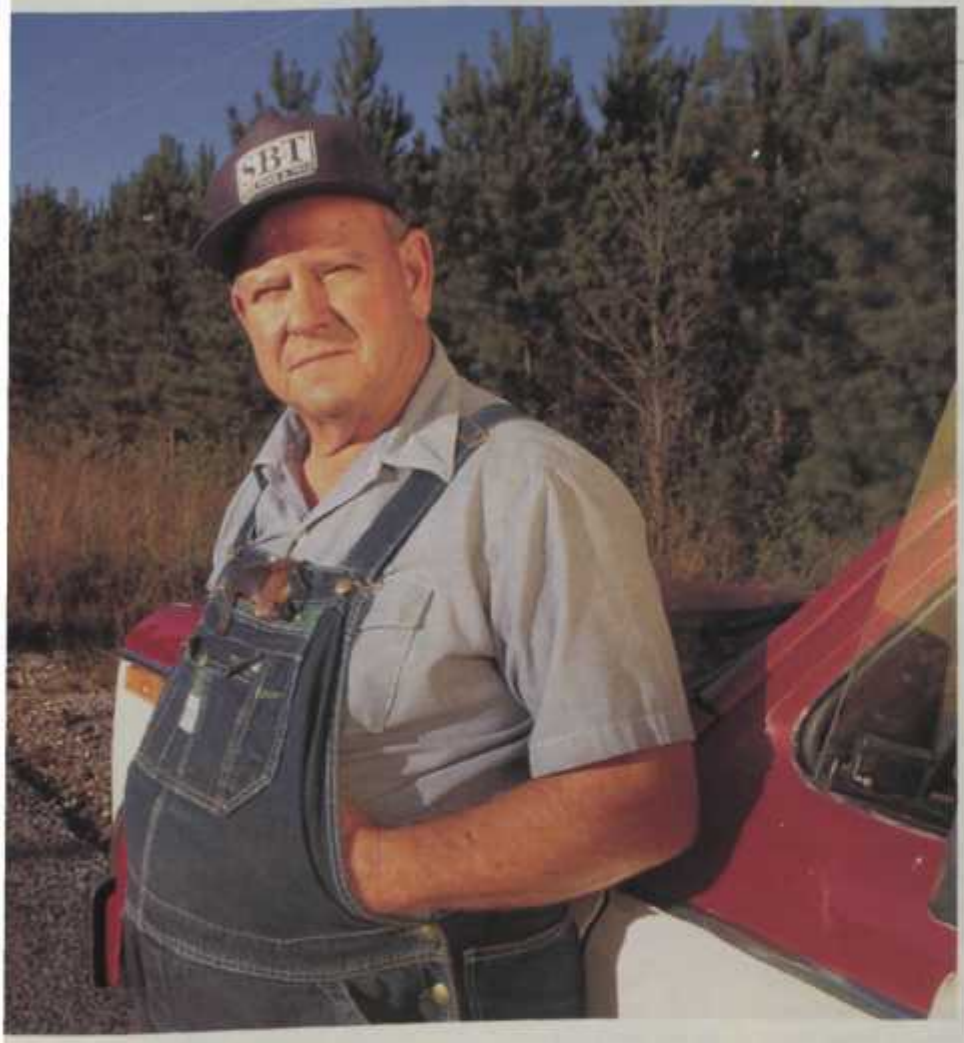
The conference's delegates, who were chosen by their small-business peers in every state and whose conclusions are viewed as a major statement by entrepreneurial America, called for the following changes in federal policy for determining whether a worker is an independent contractor or an employee:



PHOTO: MIKE CLEMMER

- A narrower, more objective test than the 20-factor standard that is now a principal tool in determining whether an employer/employee relationship exists. (The test, based on common law, was compiled in 1935 to differentiate between employees and independent contractors for purposes of collecting Social Security taxes.)
- A bar against IRS demands for back taxes when Form 1099 has been filed and there is no evidence of fraud. (The form notifies both an independent contractor and the IRS of the amount of payments a company has made to that contractor in the previous year.)
- Permission for arrangements to let companies and independent contractors join in training workers and to let independent contractors use major specialized

Federal penalties for misclassifying service providers as independent contractors rather than employees can crush a firm. Demands are rising for Congress to establish a clear-cut standard.



Though logger *Billie Rasbury defeated the IRS's challenge to his use of independent contractors, the prolonged controversy cost him his business.*

tools provided by the company. (Under present policy, worker training and worker use of company resources are considered strong evidence of employee status.)

■ Appointment of a joint committee of legislators and small-business representatives to develop and implement necessary changes in independent-contractor policies.

Business people who believe that change is needed include Toby Malichi, president of Malichi Diversified, Ltd., of Indianapolis. He says that both companies and individual entrepreneurs can benefit from independent-contractor arrangements but that current policies deny them such opportunities.

Malichi's company has two principal divisions—a trade-development unit that operates in 12 countries and helps U.S. and foreign companies forge business relationships, and motivational programs that include seminars and videos.

Malichi says he would like to expand the motivational-programs operation using independent contractors, but that would involve both training and payment of initial expenses.

The type of individual he seeks for the motivational operation, Malichi says, is entrepreneurial-minded, outgoing, and self-motivated.

Such people, he adds, like the freedom and flexibility of an independent-contractor relationship, and federal policy should recognize that consideration.

Malichi says rules that prevent companies and individuals from entering into mutually agreeable business arrangements deny those people a chance to obtain jobs of their choice and, in the case of his company, "to earn a very good living."

His company has not had any independent-contractor problems with the IRS, but Malichi, a member of the board of directors of the U.S. Chamber of Commerce, says he has heard many "horror stories" from other business people about their disputes with the tax agency over the status of employees. "Current policies can be very costly, even ruinous, to small-business people who have acted in good faith," he says.

One problem for small firms trying to act in that manner is the subjective nature of the 20-part test. The White House conference recognized that IRS interpretation of the test "can bankrupt a small business," says Debbie Jo Horton, who runs her own accounting firm in East Providence, R.I. Horton was one of that state's delegates to the conference and is a member of the committee for implementation of the tax proposals that came out of the meeting. Past efforts at reform failed, she says, because they did not eliminate the 20-point policy. Noting that it is not part of the tax code, she says the "IRS can ignore it."

The possibility that the 20-point test is not necessarily decisive was underscored by an IRS official in testimony Aug. 25 to a congressional subcommittee looking into the independent-contractor issue. Marshall V. Washburn, national director of the agency's specialty-tax unit, told the taxation and finance subcommittee of the House Committee on Small Business that "the 20 factors do not answer the question of whether a worker in any specific business situation is an employee or an independent contractor."

Washburn said in his testimony that the IRS must first determine which standards are most important to the particular business situation at issue and must also "consider whether other factors might be relevant." He conceded that "this lack of a clear and objective standard causes problems both for small business

and for our examiners as well."

Horton agrees. Companies that use independent contractors appearing to meet all aspects of the test and that file proper income-tax forms often find, she says, that revenue agents "still come in, often for obscure reasons, and reclassify the workers as employees. This causes all sorts of trouble. Demands for back taxes and penalties put companies out of business."

Jack Oppenheimer of Orlando, Fla., also a member of the committee to implement the White House conference's tax proposals, says "the IRS is making a concerted effort to bring more and more people into the tax system" by targeting companies using independent contractors.



PHOTO: T. MICHAEL KEZA

Author *of a bill to clearly define independent contractors, Rep. Jay Kim, R-Calif., has heard "horror story after horror story" about the problem.*

Small firms need to be aware, he says, that the agency's "very aggressive" tactics can include tying up bank accounts and placing liens on property. "If you have money somewhere, they are going to get their hands on it," says Oppenheimer, who is a partner in a firm of certified public accountants. The IRS, he notes, can bring "unlimited resources" to bear on small-business people, who tend to concentrate on running their firms and are frequently unaware that they could be targets for destructive penalties.

The top-priority status the conference gave to the independent-contractor issue and the ongoing efforts of committee members like Horton and Oppenheimer have given impetus to long-delayed legislative activity on the matter. When it first approved the safe-harbor provisions as part of the Revenue Act of 1978, Congress intended them to be a stopgap protection pending a full review of tax policy on independent contractors. But no such action was taken over the next four years, and the safe-harbor rules were extended indefinitely via a section of the Tax Equity and Fiscal Responsibility Act of 1982.

In the 17 years since Con-

The Harbor And The List Of 20

Companies using or contemplating the use of independent contractors need to be aware of two sets of standards that apply to this form of business relationship.

One is the "safe-harbor" rule. A company meeting its provisions cannot be held liable for taxes not withheld after a service provider is found to have been an employee rather than an independent contractor.

If a firm is not eligible for safe-harbor protection, the IRS can apply a 20-part test designed to differentiate between employees and independent contractors. This test has been criticized as subjective, confusing, and not necessarily conclusive in an IRS evaluation. For example, there is no standard on how many of the 20 points must be met to determine whether a worker is an employee or an independent contractor. The test is the focal point of legislative efforts to reform federal tax policy on independent contractors.

Safe-Harbor Protection

Under the safe-harbor law, an employer cannot be held liable for employment taxes arising from an employment relationship if the recipient of the services:

- Had a "reasonable basis" for treating the worker as an independent contractor. (A reasonable basis can be a judicial precedent, such as an IRS letter ruling that the worker is an independent contractor; an IRS audit, not necessarily directed to employment taxes, that did not result in an assessment for taxes; or a long-standing industry practice of classifying certain workers as independent contractors.)
- Filed required returns with the federal government.
- Has not classified as an employee any worker performing duties similar to those of the independent contractor.

The 20-Part Test

An individual providing compensated services is considered an employee rather than an independent contractor if that individual:

1. Must comply with company instructions about when, where, and how the work is to be carried out.
2. Is trained by the company.
3. Performs duties integrated into the company's general operations.
4. Must do the work personally.
5. Is primarily responsible for providing a service, and the company hires, supervises, and pays assistants.
6. Maintains a continuing relationship—even one in which work is performed at irregular but frequent intervals—with a company.
7. Works a schedule set by the company.
8. Is substantially a full-time worker.
9. Works on company premises.
10. Performs duties in an order or sequence set by the company.
11. Must submit regular or written reports to the company.
12. Is paid by the hour, week, or month.
13. Is ordinarily compensated by the company for job-related expenses.
14. Uses a significant amount of company-provided tools and materials.
15. Has no investment in the resources required to perform the service.
16. Cannot realize a profit or suffer a loss through the provision of the services.
17. Does not work for more than one company at the same time.
18. Does not consistently seek work from the general public.
19. Can be fired for reasons other than failure to produce results specified in a contract.
20. Can quit at any time without incurring liability.

You're Only 45 Minutes Away From Success.



Executive Seminars in Sound can help you improve your management skills—and your bottom line—fast. Eight audio cassettes deliver practical, proven techniques that you can implement right away.

The 45-minute tapes cover:

1. How To Get Your Ideas Across
2. Your Role as a Decision Maker
3. Better Management of People
4. Mastering the Art of Delegating
5. Making the Most of Your Time
6. Organizing Your Plans and Planning Your Organization
7. Strategies of Moving Ahead
8. How to Live with Your Own Success

Listen in your car, at the office, at home or in your hotel room with convenient tapes in a compact binder. Then inspire your employees, control your schedule and prepare to enjoy your success.

You'll profit for a lifetime from a $95 investment in Executive Seminars in Sound. If you're not convinced these tapes will make your life easier, just return them within 15 days for a full refund. Order your set today.



Try it for 15 days FREE

Guarantee: Send me "Executive Seminars in Sound." If not thoroughly satisfied, I can return it for a full refund.

☐ Check enclosed for $95. Please include $3.00 for shipping and handling.
☐ Bill my credit card: ☐ AE ☐ VISA ☐ MC

Card No. _____ Exp. Date _____

Signature _____ Title _____

Name _____ Company _____

Address _____

City _____ State _____ Zip _____

No P.O. Boxes—UPS Shipments Only

Nation's Business Executive Seminars Division, 1615 H Street, NW, Washington, D.C. 20062
California and D.C. residents, add sales tax.

Call Toll Free 1-800-321-4949 NB1295

Circle No. 13 on Reader Service Card

gress first recognized problems with enforcement of the independent-contractor rules, the issue has become more complex. The workplace environment has changed drastically, with many entrepreneurs preferring to operate as independent contractors and many companies preferring the flexibility of purchasing services as workloads dictate, rather than going through hiring and layoff cycles.

Congress' delay in considering the issue may be nearing an end, however. Rep. Jon Christensen, R-Neb., is sponsoring the Independent Contractor Tax Simplification Act (H.R. 1972) to replace the long-standing and much-criticized 20-point test, which, he says, "has caused small business endless problems."

"Today's law," Christensen told *Nation's Business*, "is confusing enough to foil good-faith efforts to put individuals in one category or another. This is a problem that has plagued legitimate businesses too long. It must stop."

Christensen said his measure would spell out "clearly and starkly who would qualify as an independent contractor for tax purposes." The bill would shift the emphasis, he says, by precisely defining independent-contractor status; those not meeting the standards would be considered employees.

The current 20-factor test defines employment broadly. Those whose links to a company fall outside any of the descriptions in the 20 points may claim an independent-contractor relationship, but, tax experts point out, there is no guarantee the claim will succeed.

Under the Christensen bill, a service provider could achieve independent status by doing any of the following:

- Making a significant investment in assets and/or training.
- Incurring significant unreimbursed expenses.
- Being willing to perform the service over a specified amount of time and/or to achieve a designated result, and accepting liability for damages for noncompliance without cause.
- Accepting payment on a commission basis.
- Purchasing a company's products for resale.

The Christensen bill would also require that a person qualifying for independent-contractor status have a principal place of business, demonstrate an intention to serve other customers and clients, and have a written contract with parties to whom services are to be provided.

A company that filed required reports to the IRS on payments to nonemployees would be protected from any later claims by the IRS for taxes based on those payments.

Another pending measure is the Independent Contractor Tax Fairness Act (H.R. 582), sponsored by second-term Rep. Jay Kim, R-Calif., who ran a small engineering firm in Southern California. He says he "learned from firsthand experience exactly how confusing, ambiguous, and arbitrary the current worker-classification rules are."

And in his short time in Congress, he says, "I have heard horror story after horror story from my constituents about how they have hired someone they thought was a legitimate independent contractor, only to have the IRS swoop in years later, claim that the worker should have been an employee, and impose massive fines and back taxes.

"Often," he says, "these businesses are faced with severe financial problems and, in some cases, bankruptcy as a result of an honest mistake in classifying workers."



PHOTO: CRAIG SPENCE

Independent-contractor policies *discourage companies and individuals from forming mutually agreeable business arrangements, says Toby Malichi, whose Indianapolis firm specializes in trade-development efforts and motivational programs.*

Kim told the House in introducing his bill that the IRS "has a bias against the independent-contractor status and, as a result, puts the burden of proof on the taxpayer to prove that the worker is *not* an employee."

Kim's bill would define an independent contractor as a service provider meeting at least one of these criteria:

- Can make a profit or suffer a loss.
- Has a principal place of business other than that of the party to whom the services are being provided.
- Has made services available to the public and has provided those services to at least two recipients in the previous year.
- Is paid exclusively on commission and has a principal place of business apart from the commission payer or pays a fair-market price for rent or lease of space on the premises of that payer.

In addition, the services would have to be provided under a written agreement stating that the provider meets legal standards for being an independent contractor, is aware of the responsibilities of that status, and will keep separate accounting records for the arrangement covered by the agreement.

Noting that there are similarities between his bill and Christensen's, Kim says that both share the goal of establishing "a clear and unambiguous standard for who is not an employee."

While his bill would substantially clarify worker-classification rules and give firms "better protection from being persecuted for honest mistakes," Kim says, it would also require that companies and the independent contractors they hire "be more accountable for the income that is generated as a result of their professional relationship." Kim calls this approach "a very fair trade."

What does the Internal Revenue Service think of this expanding drive for significant changes in the rules on independent contractors?

IRS Commissioner Margaret Milner Richardson said in July that "we can do better, and we will do better, in handling worker-classification issues." She announced two agency initiatives: a requirement of national-office approval for any local project involving worker-classification issues, and plans for additional training for all examiners dealing with such issues.

Worker-classification issues could include an investigation of whether an employer-employee relationship exists in a specific company or a determination of the identity of an employer in a situation involving employee leasing.

Materials for the additional training, Richardson said, "will emphasize the IRS policy that using independent contractors can be a legitimate business practice."

The commissioner also noted, however, that the problems could not be fully



The current law *"is a problem that has plagued legitimate businesses too long," says Rep. Jon Christensen, R-Neb., sponsor of a reform measure.*

resolved without legislative changes. She did not propose specific revisions but said her agency is working with the Treasury Department to find alternatives to current rules.

While Richardson's plan for national-office oversight and better training were advanced as corrective measures, some experts on the issue said the initiatives actually emphasize a major IRS deficiency.

Russell A. Hollrah, a Washington, D.C., attorney who litigates extensively on independent-contractor cases, says the emphasis on training in the field amounts to IRS recognition that many field agents don't accept the fact that "there are legitimate uses for independent contractors."

Small businesses are convinced, he says, that "there is a strong IRS hostility to independent-contractor arrangements" and that this bias is reflected in official decisions.

Noting Richardson's statement that the new training program will emphasize the legitimacy of independent contractors, Hollrah says, "The very fact that such a message needs to be conveyed at such a late point in the history of this issue shows why there is a very serious problem."

Business support for corrective legislation is not unanimous, however. The National Association of Temporary Services says that making it easier to classify workers as independent contractors would create "an unbalanced playing field" for its members, some of whom are potential competitors of independent contractors.

Edward Lenz, general counsel for the association, says that "history has shown that worker classification can be abused." He agrees with other critics, however, that the 20-point test is "hopelessly subjective" and has been construed differently by different courts.

It is not certain if Congress will arrive at the "clear and objective standard" sought by IRS official Washburn and others among the regulated and the regulators.

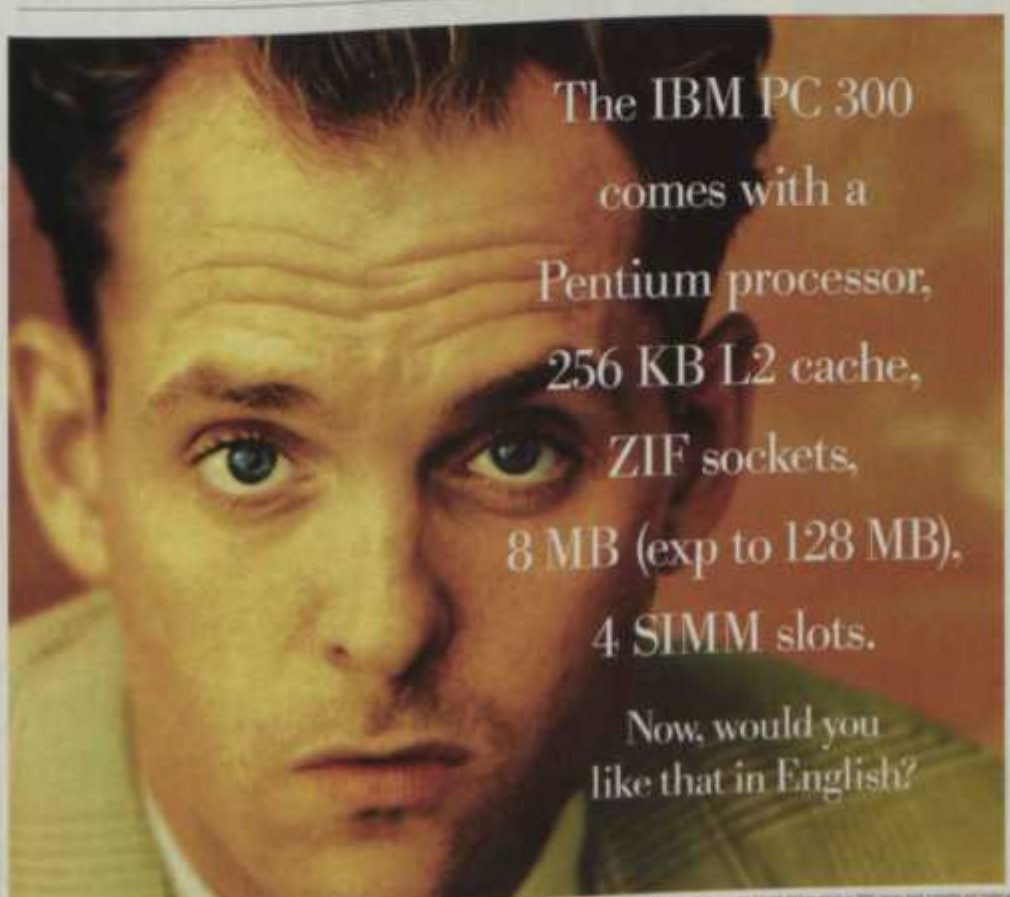
The Christensen and Kim proposals are at the center of legislative attention and will be the starting point for debate. That debate, when it comes, will be rife with examples like that of Billie Vester Rasbury.

While he "won the battle but lost the war," says attorney Bruce Ely, that defeat could help bring victory to the small-business people who are still in the trenches on this issue. NB

To order a reprint of this story, see Page 77.
For a fax copy, see Page 35.

Have Questions?

Send your queries on personnel challenges, marketing, access to capital, or other matters to Direct Line. Answers to questions that are selected for publication will appear in future issues. For details, see Page 78.



If you dig all that technical stuff, great. But if it just looks like Martian code to you, call IBM PC Direct, and we'll translate it into clear, plain English. Once you understand everything the low-priced, high-performance PC 300* offers, we think you'll want it for your office.

To see what else we have to offer, call us today and we'll send you our free catalog.

At IBM PC Direct, you get convenient financing and leasing options, a 30-day money-back guarantee† and service you can depend on. In fact, *PC Magazine*‡ said our 24-hour, 7-day-a-week** telephone support deserves an A rating. So call today and order. Because when it comes to computers, no one speaks your language more fluently than we do.

Free catalog.

IBM

Before you pick out a computer, pick up the phone.

Call IBM PC Direct to order
1•800•426•7255 source code 4616

More open 8am–10pm Monday–Friday, 8am–5pm Saturday (ET)

MARKETING

Preventing Crossed Wires

As new area codes come on line, companies need to anticipate potential problems before they occur.

By Janine Latus Musick

Larry and Lydia Garrett did everything possible to prepare their business for a new area code. The Garretts, owners of Swiss Hike Specialty Travel, just outside Olympia, Wash., printed new stationery and business cards, and they changed the phone number in their print advertising and brochures. The new area code was on all their printed materials by the time the change was made.

So when western Washington got a new area code—360—in January, the Garretts thought they were ready. Unfortunately for them, some of their potential customers, as well as the network of hotels and other businesses in Europe associated with their tours, weren't.

The Garretts organize hiking tours of the Swiss Alps. But hotels there, calling to confirm reservations, could not reach the Garretts because the European phone companies' computerized systems were not programmed to accept an area code that did not have a 0 or a 1 as the middle digit.

"We had European hotels that could not get back to us in response to our fax . . . to book space," Larry Garrett says. In addition, there were people in the U.S. who saw ads for Swiss Hike but were unable to get through because the phone system at their firm, or that of the local phone company, was unable to place a call to the 360 area code, he says. "We don't know how many people couldn't reach us, but sales are way down this year."

You don't have to do business internationally, however, to experience a bumpy transition to a new area code. It's a changeover that has become commonplace.

Telephone companies in 20 states are running out of phone numbers as businesses and consumers snap up existing seven-digit numbers with pagers, cellular phones, faxes, and modems. The easiest way to create new numbers is to add area codes, and 16 were scheduled to go into effect this year alone.

For most businesses with customers outside their own area codes, the switch creates few problems. But customers who use their own telephone switching system—called a private branch exchange, or PBX—may have problems placing calls to companies with a new area code.



PHOTO: EDOUS WILSON—BLACK STAR

Tour organizers *Lydia and Larry Garrett of Swiss Hike Specialty Travel learned the pitfalls of being assigned a new area code.*

That's because many PBX systems were programmed five years or more ago, when all area codes had either a 0 or a 1 as the middle number. Those area codes have run out, and new area codes now can have any digit in the middle, which confuses the PBX.

"If you own a PBX, it is incumbent upon you to get down to the vendor and make that machine recognize the new numbers," says Ken Branson, media director of Bellcore, a communications software and consulting firm owned by the seven Bell operating companies. Bellcore is responsible for administering the North American Numbering Plan, including implementation of new area codes.

For some companies, reprogramming their PBX will be simple and inexpensive. Others will have to get a software overhaul, and still others will need new hardware as well, says Robert Kalina, vice president of engineering and operations for TIE/communications, Inc., which markets communications products.

Companies that have installed toll restrictions on their phone lines to limit employees' long-distance use will also need to reprogram their phone systems to accommodate the new area codes.

Local phone companies mount aggressive information campaigns to alert businesses to the pending change in an area code. In California, which is scheduled to get its 16th area code next year, Pacific Bell sends out bill inserts and direct letters to business customers, contacts the area news media and chambers of commerce, and gets in touch with printers so they can warn customers of the change before they order large quantities of letterheads, business cards, or other materials.

Phone companies typically set up a transition period of about six months during which callers can make connections using either the old or the new area code.

In some instances, phone companies are opting for an "overlay" approach, in which the new area code is given to all new phone customers in a region, while existing customers keep their current area code. An overlay is in effect in Houston.

"An overlay is good because it does not affect existing companies," says Marc O'Krent, owner of The Telephone Connection of Los Angeles, a voice-mail and paging service. The downside, however, is that you have to dial 10 digits for even local calls.

Growing pains associated with phone numbers aren't just a U.S. phenomenon. Phone systems all over the world face similar problems.

In Great Britain, for example, all area codes got a fourth digit last spring. France is expanding from two area zones to five, and Germany is assigning longer telephone numbers. "It's worldwide," says Bellcore's Branson. "There's no escaping it. When the numbers are gone, they're gone."

Janine Latus Musick is a free-lance writer in Columbia, Mo.


Rembrandt
REMBRANDT/NOT REMBRANDT
While Rembrandt is unquestionably one of the world's greatest artists, what is less certain is the attribution of many of his works. In this provocative exhibition, the Metropolitan takes a closer look at its entire collection of paintings by Rembrandt — and not by Rembrandt — and explores the delicate balance between the scientific and the subjective in identifying the hand of the Dutch master versus his many imitators.
October 10 – January 7
THE METROPOLITAN MUSEUM OF ART
OPEN FRIDAY AND SATURDAY EVENINGS UNTIL 9 P.M.
FIFTH AVENUE AT 82ND STREET



Chuck Vasser and family

My fever shot up to 106.
My body was curled up
in excruciating pain.
My blood had gone haywire
and was about to kill me.
Suddenly, without warning,
I was in full-blown
sickle-cell anemia crisis.
I owe my life to a lot of people.
My wife who raced me
to the emergency room,
four doctors,
three nurses,
and 6 total strangers
who I only know as
type A Positive.

Thank you.
Your blood saved my life.

New York *Blood Center*

Blood donors save lives. Chuck Vasser is living proof.
To give blood call 1 800-933-BLOOD (2566).

If a picture is worth a thousand words consider this a dissertation.



Instantly capture images of homes, before they go on the market, then display them on a TV for a client or friend.

Shoot a picture of property damage, products, inventories — anything you need to keep on file for your business. Stay current by deleting unwanted images from the QV-10 instantly without uploading to a PC.

Capture pictures at family events and view them immediately on a TV. Then save the images on a videotape or computer disk, and produce color prints from almost any computer or video printer (like the Casio VG-100).

Create charts and graphs on a computer and use them in your business presentations. The QV-10 accepts almost any computer image you create.

The QV-10 gives you enough memory for 96 digital images. With built-in LCD color screen. Plus video and computer outputs. More uses — for business and pleasure — than you can count.

Computer Connection. The QV-10 comes with Macintosh® and Windows® links so you can upload images to edit, print or share with other computers on your office network. You can even send images to colleagues on the Internet.

Video Output. Connect to a VCR and you can create an instant video album — or a full business slide show — at the touch of the button. You can even view multiple images on one screen.



Applications. The QV-10 is the perfect tool for real estate, insurance, business presentations, family events — anywhere you need pictures and flexibility.

CASIO.

CASIO, INC., 570 MT. PLEASANT AVENUE, DOVER, NJ 07801 TEL: 1-800-962-2746 CASIOTECH@AOL.COM OR 7662.276@COMPUSERVE.COM

Macintosh is a registered trademark of Apple Computer, Inc. Windows is a registered trademark of Microsoft Corp.

Available at: Computer City Supercenter • CompUSA • Incredible Universe • Nobody beats the Wiz • Ritz Camera • Staples • Office Depot

An Oasis to do Business with Great Style.



Peaceful.

Relaxed environment.

Five stories building.

Refurbished rooms.

Business Center

fully equipped.

GREAT
STYLE
HOTELS

CAMINO REAL.
MEXICO CITY

Ask for our Corporate Rate. For reservations call **800-7** CAMINO **(800-722-6466)** your Travel Consultant, or call **011-525-203-2121** direct to the hotel.

NYE 4

MANAGING

Businesses Eye Postal Rate Plan

The Postal Service's proposal for a major rate restructuring would reduce some firms' mailing costs and raise others'.

By Laura M. Litvan

Bill Kasiner owns two companies in Rochester, N.Y., neither of which would likely exist without efficient mail delivery. One, a computer dating service called A Perfect Match, depends on reliable delivery of the brochures that Kasiner and co-owner Debra Hoevenaar periodically send to singles. The other, *Rochester Quarterly*, is a general-interest magazine that demands timely delivery to subscribers.

Sound like jobs for the postman? Not to Kasiner.

Three years ago, he switched delivery responsibilities from the U.S. Postal Service to an Atlanta-based firm, Publishers Express. Kasiner says the switch to private delivery service saves about 5 cents per magazine and about 6 cents for each brochure he sends. It also means better and more attentive service, he says.

"They deliver faster as well as for less money," Kasiner says. "Also, they have better customer service. The postman never checked back to see how things were going."

Kasiner's story is the kind that sends shivers down the spines of Postal Service officials, who have long-standing concerns about losing customers. Beginning with the invention of the telegraph by Samuel F.B. Morse in the mid-19th century, each advance in communications technology has siphoned off part of the nation's letter-mail stream. In recent years, the trend has accelerated as a result of low-cost telecommunications options, including faxes and mail transmission via on-line services or the Internet.

And, as Kasiner's experience illustrates, private-delivery competitors such as Publishers Express have also begun diverting customers from traditional post offices.

But the Postal Service is fighting back. It has proposed major changes designed to stabilize its costs and keep its best customers from taking their business elsewhere. The Postal Service says its proposal, which likely will be ruled on by the independent Postal Rate Commission in January, amounts to the most significant change in mail rules since American postal delivery was established in Colonial times. It would radically alter the way businesses are charged for mailing services.

The new rate structure would generate the same annual revenue for the Postal Service as the current rate system does. Small and medium-sized companies would be affected unevenly, however, depending on their mail volume and the type and amount of work they do with their mail before taking it to the post office.

The lowest of the new rates would be awarded to businesses with large volumes of mail delivered to the post office in a condition that would permit fully automated processing. In contrast, rates would rise for businesses that send small amounts of mail and do little or no preparation.

The Postal Service is trying to encourage businesses to generate mail it can handle efficiently, says Loren Smith, the Postal Service's senior vice president for marketing. "The bottom line is, if you want universal service and the lowest possible rates—and you're doing that with a huge system that handles more than 180 billion pieces of mail a year—it must be efficient," he says.

Smith says that if the Postal Service can't effectively use automation to reduce its costs, it will continue to lose high-volume business customers to other forms of delivery, eventually forcing rates even further upward for the smaller mailers who remain. Still, its rate proposal has sparked controversy, with some complaining that the plan would unfairly create "winners and losers" among businesses.

Among the opponents of the Postal Service plan is Gordon Hughes, president of American Business Press, a New York-based association that represents 840 small publishers of magazines whose mailing costs could increase substantially under the proposal. "We're literally fighting for our lives," he says. The plan would have a "devastating impact" on many small businesses, notably those that lack the capability to automate their mail fully, he says.

Even without opposition from segments of the business community, the plan's approval is no sure thing. It was submitted in March to the Postal Rate Commission, which under federal law has 10 months to review the proposal and either approve it or recommend modifications to the Postal Service Board of Governors. The board can then approve, reject, or accept under protest the commission's recommendations.

The rate commission and the Postal



PHOTO: GREGG HOFFMANN

Dating-service owners *Debra Hoevenaar and Bill Kasiner examine their brochures with Thomas H. DeRoller Jr., left, advertising director of Publishers Express, which delivers the materials for the Rochester, N.Y., firm.*

Service have not always seen eye to eye on pricing matters. In 1994, for example, the commission concurred with a proposal to raise the price of a first-class stamp to 32 cents, but it rejected a proposal for a 10 percent across-the-board rate increase for publications and bulk mailers. The commission contended that some business-mailer costs should rise further than proposed because the Postal Service over time had been shifting a "disproportionate amount" of costs to first-class mailers.

Privately, several mail-industry observers say they believe the rate commission will recommend at least several adjustments to the rate-reorganization proposal. In particular, they say, publishers of small-circulation periodicals—who have been more organized in opposition to the Postal Service proposal than have other categories of small-volume mailers—may win changes that would allow more of them to qualify for lower rates.

To understand how the rate restructuring would work requires, first and foremost, an understanding of the current system and the Postal Service's requirements for processing mail at a lower cost.

Today's system is based on classes of mail that were established in the mid-1800s. First-class mail is for personal communications, such as correspondence and customer bills. Second-class mail—which would be renamed periodicals mail under the Postal Service proposal—is primarily for magazines or other periodicals. Third-class mail—which would be retitled standard mail—is commonly the status applied to advertising materials such as brochures and catalogs. Gradually, other categories were added for items such as packages and overnight mail.

In recent years, the Postal Service has offered various discounts within the classes for mailers who do part of the processing before putting their mail in the system—a practice known as "work sharing" in the mailing industry. The purpose is to bypass as many labor- and cost-intensive mail-handling operations as possible.

For example, a company that sends bulk mail can qualify for discounts by "presorting" and bundling mail by ZIP code, because the Postal Service can quickly send that type of mail directly to the postal facilities that serve those ZIP codes.

Also, in recent years the Postal Service has been investing in automation, buying machines that read bar-coded nine-digit ZIP codes, and it has allowed further discounts for businesses that give it mail that already bears the codes.

Bar-coded mail saves the Postal Service plenty, says Smith, by allowing more mail to bypass labor-intensive letter-processing

REWARDING EXTRA WORK

Under the U.S. Postal Service's reclassification plan, rates would generally decline for companies that prepare outgoing mail to complement the service's automation efforts. Other companies would experience rate increases.

Type Of Mail	Degree Of Preparation	Expected Change
BUSINESS LETTERS, CUSTOMER BILLS, AND OTHER FIRST-CLASS MAIL		
Single piece	Single pieces with first-class stamp; no preparation.	No change
Basic presorted	500 or more pieces grouped by geographic destination and placed in trays.	About 2.5 cents more per ounce
Automated	500 or more pieces grouped and bar-coded for their destinations and placed in trays. The higher the density of mail at the destination points, the greater the discount. The lowest rate is for letters prepared for drop-off by postal carriers and already in house-to-house sequence.	About 2 cents less per ounce
MAGAZINES, PERIODICALS, AND OTHER SECOND-CLASS MAIL		
Regular periodicals	Mailings presorted and bundled. Discounts for high-density mailings, with lowest rates for mail sorted by carrier route.	Average 17% higher
Publications service	Mailer must meet much higher standards pertaining to advertising and circulation, density of mail at delivery points, mailing-list quality, and other matters. Bar codes are required.	Average 14% lower
CATALOGS, FLIERS, BROCHURES, AND OTHER THIRD-CLASS MAIL		
Basic presorted	At least 200 pieces or 50 pounds placed in trays or sacks sorted by destination. Rates lower for high-density mailings.	About 3 cents more per piece
Automated	All letter-sized pieces bar-coded, grouped by destination, and placed in trays. Rates lower for high-density mailings, particularly those prepared for postal carrier delivery. Rates also lower if sender delivers mailing to a postal-processing facility near mail's delivery point.	About 1 to 2 cents less per piece

SOURCE: U.S. POSTAL SERVICE

work. While it costs $40 to have postal workers sort 1,000 letters by hand, it costs only $4 if those same letters are sorted by a bar-code-reading machine, he says.

Under the reclassification proposal, discounts would be extended a step further. "Subclasses" would be established within classes of mail, with different rates established for mailers depending on the extent to which they prepared their mail.

Among small businesses, some would benefit under the plan. Many small firms are large mailers and already fully prepare their mail for automated processing.

Also, as postage rates have climbed, firms that mail in relatively small quantities have found ways to achieve at least some savings, most commonly by hiring outside vendors to commingle their mail with that of other small firms and then prepare it in a way that qualifies for postal discounts.



PHOTO: T. MICHAEL KEZA

Automation is a key *to controlling costs, says the Postal Service, which plans to spend $1 billion next year on 3,200 more bar-code-reading letter-sorting machines like this one.*

Compared with current discounts, prices in automated subclasses would be even more favorable for businesses that qualify. (See the chart on Page 34.)

However, the amount of mail preparation required to qualify for discounts would increase. For example, to qualify for discounts that apply for bar-coded mailings, a mailer currently must match addresses once a year against a national Postal Service database. This matching process helps reduce the amount of undeliverable mail. Under the reclassification proposal, a mailer would have to do the database matching project twice a year.

Density of mail to a specific delivery point would be another key factor in determining whether a business would pay more or less under the plan. For instance, to qualify for the very best rates within each class, a business would have to send an item to each house on a postal carrier's route, and the items would have to be presorted in house-to-house sequence when the mail is handed over to the Postal Service.

The rate-reorganization proposal focuses on the business community because about 85 percent of U.S. mail is sent by companies. In fact, the proposal does not touch the price of a first-class stamp, which would remain 32 cents.

For example, Adrian Fredericks, owner of a small pizza-delivery business in Provo, Utah, joined other local merchants in mailing coupons weekly in a single envelope. This money-saving promotion was achieved by engaging a national direct-mail company, Advo Systems Inc., of Windsor, Conn., to presort and place bar codes on the envelopes. "If reclassification brings bulk-mailing costs down, then it's going to benefit us—as long as the reduced costs are passed on to us by Advo," Fredericks says.

Other small-business owners who support reclassification say it's only fair that they realize additional financial benefits from the extra work they do on their mailings.

Robert Edmund is president of Edmund Scientific Co., a Barrington, N.J., firm that uses catalogs to sell high-tech optical equipment to research laboratories and other clients. He points out that under the current system, some of the money the Postal Service saves because his catalogs are bar-coded for delivery is used to offset higher costs incurred for mail that is not automation-ready.

Edmund, whose firm has 170 employees,

Nation's Business
MarketFAX

Get the Facts. *Right Now!*

Small-Business Information Instantly Accessible via Fax.

Nation's Business' new **MarketFAX** service gives you quick and easy access to the small-business information you want and need. You can now order articles from *Nation's Business* and receive them via fax ***instantly!***

NEW! Reprints via FAX!

◆ **Articles Now Available:**
($4.95 per article)

4809 **Growing More By Doing Less:**
• Outsourcing enables firms to focus on core activities and build in flexibility by farming out activities best done by others.

4810 **Shaky Declarations Of Independence:**
• Congress is being urged to clarify the independent-contractor guidelines.

4811 **Businesses Eye Postal Rate Plan:**
• The Postal Service's proposed rate restructuring would reduce some firms' mailing costs and raise others'.

4812 **How To Broaden Your Skills:**
• Entrepreneurs have many places to turn for strengthening their business abilities.

◆ **Best-Seller List:**

4800 • Find out which articles are the most-requested by over 850,000 *Nation's Business* subscribers. Call now to receive your FREE copy of the *Nation's Business* Best-Seller List.

◆ **How To Order:**

To order, call toll-free 1-800-597-7363 and enter the number of the article you are requesting; then enter your credit card number* and fax number. The article will arrive within minutes.

*Visa, MasterCard, or American Express

◆ **Call Now!**



CALL TOLL-FREE 1-800-597-7363
7 DAYS A WEEK 24 HOURS A DAY

says he thinks the proposed reclassification would make the postal rate structure more equitable. "Reclassification is definitely more favorable to us," he says.

On the other hand, small-business owners who oppose reclassification contend that firms that don't mail in large quantities are at a big disadvantage, particularly if they don't have sufficient density of mail at delivery points to qualify for reduced rates.

Protests have been particularly loud among small firms that use second-class mail, because qualifying for a new, low-cost subclass called "publications service" would require that at least 90 percent of a publication's copies be pre-bundled in groups sharing at least the first three ZIP-code digits, with no fewer than 24 pieces in each bunch. Gary Thoe, president of Mayhill Publications Inc., a small publishing company in Knightstown, Ind., says there is no way for most small publications to meet this requirement unless they drop subscribers in rural areas.

Thoe's publication, *Antique Week*, sends out 70,000 copies a week. He says that to qualify for the special subclass, the magazine would have to drop about 1,500 subscribers in areas of low circulation density. The alternative to dropping subscribers would be to use a higher-rate subclass—at an additional cost of $500,000 a year, he says. "The irritating thing to me is that the Postal Service is touching on things that we have no control over."



PHOTO: T. MICHAEL KEZA

The goal *is a more businesslike Postal Service, says Loren Smith, senior vice president for marketing.*

The Postal Service, for its part, is promising a "massive communication and education campaign" on savings available under the restructuring plan if it is approved by the Postal Rate Commission. Local district postal officials will meet with small-business managers who wish to minimize their mail costs, says Henry C. Cleffi, manager of mail standards at the Postal Service. (To learn more about what you can do if the plan is finalized, see the box below.)

Meanwhile, one of the biggest critics of the proposed rate changes is the Postal Rate Commission's consumer advocate, Gail Willette. She says that because the Postal Service has a monopoly on first-class mail delivery, it should be required to keep rates low for all mailers—even those unable to qualify for automation discounts.

She also questions whether the Postal Service can retain its bigger customers even if it awards them lower rates. "If you want something instantly there, you're going to fax it," Willette says. "The very

Ways To Control Your Mailing Costs

Here are ways you can improve your chances of cutting costs if rates are reclassified under a proposal by the U.S. Postal Service.

Analyze Your Mail Stream

The Postal Service operates business centers at 85 district offices where, at no charge, specialists will help you determine how your costs might change under reclassification. You can also learn how to qualify for existing postal discounts. For the number of your local district office, see the Blue Pages in your telephone directory.

Two software companies offer products that can help you use a personal computer to evaluate potential cost changes. Both can be used with Microsoft's Windows operating system.

One product is The Reclassification Rater, priced at $99. For information, contact the manufacturer, **Peter Moore Software Inc.**, in Boulder, Colo.; (303) 449-1908.

The other product, Classification Reform Navigator, $150, is produced by **Window Book Inc.**, of Cambridge, Mass. This software includes a free upgrade if a reclassification plan that is significantly different from what has been proposed is ultimately approved. Call 1-800-370-2410.

Find A Good Mail-Services Company

For a fee, typically about half a cent to a cent per piece, a mail-services firm can prepare your larger mailings to qualify for lower rates. To find a vendor, get recommendations from other business owners in your community. You can also look under Mailing Services in the Yellow Pages.

Build A Better Mailing List

Computer software can translate your mailing list into a stream of bar-coded labels that are already presorted by ZIP code, provided that you collect ZIP-plus-four information for addresses.

The following packages are Windows-compatible and meet Postal Service certification standards for weeding out old addresses. All prices include quarterly software updates.

Product capabilities vary, so be sure to explore the market before making a purchase.

Group 1 Software Inc., of Lanham, Md., offers AccuMail, which costs $1,095 a year. Call 1-800-368-5806 for product information.

Postalsoft DeskTop Mailer 3.0 is a small-business mailing list product by **Postalsoft Inc.**, of La Crosse, Wis., that costs $2,495. Call 1-800-831-6245.

Pitney Bowes, of Stamford, Conn., offers SmartMailer 2.0, starting at $1,400. Call 1-800-MR BOWES (1-800-672-6937), Ext. 4753.

Group Your Mail With Other Businesses'

If you advertise through the mail, you and other firms can work through a vendor to mail coupons and announcements together in one envelope. Such vendors mail in bulk and put bar codes on materials before turning them over to the Postal Service. Companies thus benefit from postal rates lower than they would be if the firms mailed on their own.

Two such vendors are **Advo Systems Inc.**, of Windsor, Conn., and **Val-Pak Direct Marketing Systems Inc.**, of Largo, Fla. Local offices of these companies and others can be found in the Yellow Pages under Advertising—Direct Mail.

Consider Alternative Mail Delivery

If you mail periodicals or advertising materials and are based in a large or medium-sized city, you might find local firms that can deliver some of your mail at less cost than the Postal Service.

Two such firms have been expanding rapidly into many metropolitan areas. One, **Publishers Express**, founded by Time Warner Inc., can be reached in Atlanta at (404) 429-4500. A second company, **Alternative Postal Delivery Inc.**, of Grand Rapids, Mich., can be reached at (616) 235-0698.

mail [the Postal Service] is trying to capture will leave the system for other reasons."

She adds that if reclassification is approved, smaller mailers' future rate increases will likely be steeper than they would have been without the change. That's because the establishment of a subclass of automation mailers would result in those mailers' costs to the system being analyzed separately from the costs of less-efficient mailers. In effect, low-volume mailers' costs to the Postal Service would not be offset by those of bigger mailers to the extent that they are now, she says.

Automation is not the answer for all the ills at the Postal Service, its officials say. Union contracts make it hard to cut the 729,000-member work force, despite the investment in automation.

Although the proposed reclassification has both advocates and opponents, just about everyone who is close to the situation agrees that the Postal Service must somehow become more market-driven to compete in the future.

Private carriers now dominate the market for overnight and parcel-post delivery. The Postal Service commands only about 12 percent and 6 percent, respectively, of those markets, according to the General Accounting Office, a congressional agency.

In a 1992 report, the GAO said growing competition in other areas is a serious threat to the long-term viability of the Postal Service—even though it enjoys a monopoly on first-class mail and addressed third-class mail. About half of the mail the Postal Service handles is first class, the report said, but other, more-competitive categories provide the volume needed to allow the service to keep its costs down while continuing to offer universal service.

The report suggested that the most immediate concerns for the Postal Service are the second and third classes, whose rates have almost doubled since 1988.

"The GAO," the report stated, "believes that in the long run, if demand-based pricing is not given more weight as one of several factors to be considered in rate making, the Postal Service could experience serious losses in its price-sensitive third-class market as well as its second-class market and thus drive up the cost of first-class postage to cover these losses." Taxpayers, it noted, might then have to bail out the Postal Service.

The Postal Service has seen automation as a key way to control costs so it can compete better, and Postmaster General Marvin Runyon says $2.6 billion has already been spent on new machinery. Next year, the Postal Service plans to spend an additional $1 billion for installation of 3,200 more bar-code-reading letter-sorting machines in processing centers around the nation, Runyon says.

But officials acknowledge that automation is not the answer to all the Postal Service's ills. More than 80 percent of its costs go toward salaries and benefits for its 729,000 employees. Contracts with unions have made it difficult to reduce this work force, despite the investment in automation.

In a move that could exacerbate the labor-cost problem, a federal arbitration board recently granted pay increases over the next four years to members of the nation's largest postal union, the American Postal Workers Union. That move alone prompted *Business Mailers Review*, an industry newsletter, to forecast a 35-cent first-class stamp by 1998.

The Postal Service's Smith emphasizes that a restructuring of rates is only the first step in a much larger plan that he and other officials have for making the Postal Service more businesslike. The next big goal, he says, consists of legislative reforms that, among other things, would give the Postal Service more leverage at the bargaining table in order to control labor costs.

Uncontrolled labor costs, in addition to ongoing customer complaints about on-time delivery, have some industry observers forecasting a cost crisis for the Postal Service, says Gene Del Polito, president of the Washington-based Advertising Mail Marketing Association, which represents mailers of third-class materials. His group supports reclassification, but it also will push later on for legislative reforms that generally would make the service more responsive to the marketplace, he says.

Reclassification would encourage businesses to provide mail that the Postal Service is capable of processing efficiently, Del Polito says. But whether the Postal Service would make its overall operation more efficient, he adds, only time will tell. Says Del Polito: "Reclassification is the short-term fix but not the long-term fix that awaits the Postal Service." NB

To order a reprint of this story, see Page 77.
For a fax copy, see Page 35.



Small Business Computing

Utility programs that enhance Microsoft's latest upgrade; a modem for the highly connected; a printer that does it all.

By Albert G. Holzinger

WINDOWS 95 PROGRAMS

Software To Open Up Your New Windows

Whenever a desktop-computer operating system is upgraded—whether it be Apple's Macintosh, IBM's OS/2, or Microsoft's Windows—one thing is nearly as certain as death and taxes: As soon as the upgrade appears on retailers' shelves, new business application and utility programs to take advantage of it soon follow.

So it's not surprising that although Microsoft Windows 95 is not yet three months old, a number of these programs are already on sale. Each takes advantage to some degree of the long-awaited operating system's speed, memory management, communications, and other significant improvements over previous Windows version 3.11.



Microsoft Works: *Task-oriented.*

A Helpful Couple

Two of the most useful new small-business programs are published by Microsoft itself. One is **Microsoft Works 4.0 for Windows 95.** It includes powerful word-processor, spreadsheet, database, and communications modules for a retail price of $54.95. An additional $25 buys the compact-disc (CD) version of the program that includes Bookshelf 95, which consists of abridged versions of eight standard desktop reference works.

Works makes a favorable first impression—largely because of its straightforward, task-oriented start-up screen—but it's worth mentioning that the more the software is used, the more impressive it becomes. Noteworthy are numerous help features and its sharp printed output.

Equally impressive is the other program from Microsoft, **Publisher CD Deluxe for Windows 95.** It is an upgraded version of a Microsoft desktop-publishing program that has a substantial following among small-business people.

It has been popular from the start because it has made it easy for amateurs to produce documents—ranging from run-of-the-mill business cards to eye-catching brochures and highly stylized newsletters—that look as if they were produced by graphic-arts professionals using high-end publishing programs. The new version, which retails for $79.95, is even simpler to master and more powerful than previous ones.

One welcome addition is the Design Gallery, which helps users select distinctive yet consistent combinations of publication elements, ranging from mastheads to headlines. Another component is a set of tools that enable users to color artwork, photographs, and other publication elements, while cautioning against selecting combinations that would print poorly or simply look ugly.

The CD also contains more than 1,000 pieces of clip art, 60 typefaces, and about 100 fancy borders and other design elements for publications.

Faster Faxing

One major improvement in Windows 95 over Windows 3.11 is substantially better support for communications functions, and Delrina Corp.'s **WinFax Pro 7.0** fax software for Windows 95 takes great advantage of this improvement.

The old versions of WinFax Pro and Windows let you send or receive faxes while running other software such as spreadsheet programs, but it slowed the processes unacceptably.

These simultaneous operations—called multitasking in computer jargon—are radically faster in the new Windows 95/WinFax Pro 7.0 combination, because of improvements in the operating system and new compression techniques from Delrina.

Other noteworthy WinFax enhancements include better transmission of gray-scale images such as photographs; hard-copy confirmations of fax transmissions, which are useful for billing purposes; fax preview capabilities; more-accurate optical character recognition for easier conversion of incoming faxes to editable documents; and more and easier-to-use cover pages.

WinFax Pro 7.0 sells for about $75; pricing for upgrading from an earlier version is available by calling Delrina at 1-800-268-6082.

Expanding And Stretching

Two common—and bona fide—criticisms of Windows 95 and its companion Plus! pack are that too much hard-disk space is eaten up by a complete installation (more than 80 megabytes) and too much memory (eight megabytes or more) is required for efficient operation. But two new, modestly priced utility programs can make more disk space available and can stretch memory.

Remove-It 2, by Vertisoft Systems, contains an Upgrade Assistant that completely removes unneeded remnants of Windows 3.11—many files with the extensions ".drv" and ".ini," for example—upon completion of a Windows 95 upgrade. Moreover, the program's Knowledge Base permits complete removal of more than 850 old DOS and Windows programs you may no longer wish to use. And the Store-It and Transfer-It modules make it easy to, respectively, compress seldom-used programs and transfer applications to floppy disks for reinstallation on other computers. In short, this program, which costs about $70, does a lot of important grunt work well.



Microsoft Publisher: *Professional results.*

SoftRam 95, by Syncronys Software, does only one thing—stretch precious memory resources—but it does it well. Although

Windows 95 permits multitasking, each running program consumes memory in addition to the substantial chunk consumed by Windows 95 itself. Even if your PC has eight megabytes of memory or more, opening multiple programs, especially multimedia programs, ultimately will produce an "Insufficient Memory" error message. Why not simply buy and install more memory? At $40 to $50 per megabyte, it can be too expensive for some users.

SoftRam 95 can't physically double the amount of memory in your computer, but it will help your PC and operating system use the memory you have more efficiently. The price you pay for this substantial memory "gain," in addition to SoftRam's retail price of about $60, is some speed. ■

HARDWARE

The Communicator

In the computer industry, it's true that good things come in small packages. Witness the **28.8 Communicator,** from Simple Technology Inc., an all-purpose communications device for laptop computers. Its small size—not much larger than a credit card—belies its tremendous functionality. The device is a dependable (five-year warranty) and lightning-fast modem for efficient connection to your office network, on-line services, the Internet, or anywhere else when you're on the road.



The 28.8 Communicator *connects with almost anything.*

Like most laptop modems, the Communicator can send or receive faxes. But unlike most, it can double as a full-featured voice-mail system that can even page you when a message is received. It also can be connected to many popular cellular telephones via an optional cable.

Sometimes the measure of a company is the quality of its response when something goes awry with a product. Simple Technology's response was impressive when a unit—through no fault of the company—was not accurately recognized by our laptop's Windows 95 operating system, which was still in the testing phase. Simple Technology's tech-support people took the relevant information by phone, worked until they replicated the problem, and then called with a solution. The Communicator has been working flawlessly since. (The final version of Windows 95 recognizes the Communicator and sets it up automatically.)

The 28.8 Communicator has a suggested retail price of $469; the slower but otherwise identical 14.4 Communicator retails for $275. To learn whether adapters are available for your cellular phone, call Simple Technology at 1-800-367-7330.

A Fun Printer For Home Use

Since they were introduced three years ago, printers produced by Canon Computer Systems Inc. have been among the dominant players in what's called the small-office/home-office, or "SOHO," market. Products engineered for this market generally perform well enough and are durable enough for use in small businesses, but they are inexpensive enough to appeal to home-based sole proprietors.

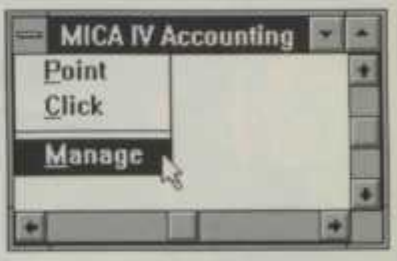
A new line of inkjet printers from Canon meets the SOHO requirements. The printers also come with software that makes them a blast for home use. This software, which comes on a CD, makes it easy to print everything from greeting cards to T-shirts to cross-stitch sewing patterns. Canon hopes this hardware/software combination will define a new market that it calls "SOHOME," or small office/home.

Based on continuing positive experiences with the midrange product in the line, the BJC-4100, Canon's hopes likely will be realized. The BJC-4100 provides nearly photorealistic color as well as crisp black-and-white printing at a resolution of 360 by 720 dots per inch. The printer has flawlessly handled everything from legal- and letter-size envelopes and paper in many weights to film, transparencies, fabric, T-shirt transfers, and more. With a 100-sheet or 15-envelope capacity, seven built-in bit-mapped fonts, a two-year warranty, and a retail price of about $350, the BJC-4100 printer clearly is suitable for moderate business use. NB



The Canon BJC-4100 *prints everything from greeting cards to T-shirts.*

COULD THE ANSWER TO YOUR ACCOUNTING PROBLEMS BE THIS EASY?



Now running your business can be as easy as point, click, and manage. Building on the concepts of our award winning DOS version, MICA now takes advantage of the Windows 3.1® and Windows 95® operating systems to make processing even better.

- Rated #1 by Software Digest for its power and ease of use, MICA IV allows you to manage your accounting information with the touch (or click) of a button.
- On-line help, inquiry windows, and our outstanding support team keep you working fast and efficiently.
- Extensive management exception reporting puts essential business information at your fingertips.
- Unique program design improves operations and saves costly upgrades.

Since 1982, MICA has set the standard in efficient easy-to-use accounting software. By combining the power of a sophisticated high-end system with the simplicity of an entry-level system, MICA IV provides the management edge needed in today's competitive economic environment.

Call about our 30-day no risk trial offer.

800-448-6422

MICA ACCOUNTING SOFTWARE

Circle No. 3 on Reader Service Card



"JUST DELIVER

When you run a business, excuses just won't do – you have to deliver on your promises. And you have to expect that same kind of performance from your trucks – get the job done, without excuses.

NO HASSLES, NO PROBLEMS.

That's why so many experienced business people turn to the experienced truck people – GMC Truck. And that's why the GMC Sierra is the pickup of choice for demanding companies, big and small.



THE BOXED FRONT END PROVIDES A VERY FIRM FOUNDATION

Among its many strengths, Sierra's ladder type, semiperimeter frame is specially engineered to provide a firm foundation for both the cab and the bed. Its body panels are corrosion resistant, two-sided galvanized steel.* And its cargo box is fully welded and has double walls for strength and durability.

VERSATILITY MEANS MORE BUSINESS.

The GMC Sierra is more than just strong, it's also comfortable, versatile and powerful. Sierra has six available engines to meet your specific needs – one V6 and five V8s, including two diesels. That's the widest selection of engines in its category. Sierra's independent front suspension provides a smooth, firm ride, loaded or



NO EXCUSES."



empty. And its payload capacities range from 1579 up to 5459 pounds.** So it's very versatile indeed.

WORK GETS DONE. MONEY GETS MADE.

The GMC Sierra can provide everything your business expects in a pickup, and then some. And do it without hassle. Call **1-800-GMC-TRUCK (1-800-462-8782)** for a catalog and the name of your nearest GMC Truck dealer. There, you'll find people just like you – people who know how to get the job done. Without excuses.

*Except the roof panel.
**When properly equipped; includes weight of passengers, cargo and equipment.
©1995 GM Corp. All rights reserved. GM, GMC Truck and Sierra are registered trademarks of General Motors Corporation. Buckle up, America!

GMC TRUCK SIERRA
THE STRENGTH OF EXPERIENCE

TECHNOLOGY

All That's New And Fit To Print

Improved technology and falling prices for printers can put your presentations on a par with those of larger competitors.

By Jon Pepper

When consultant Patrick Dunn makes presentations to clients, his documents look highly professional: print-shop-quality black text, richly colored graphs, and nearly photorealistic images.

The presentations convey an image of professionalism to the corporate chief executives and board members who retain Dunn to locate senior financial officers—often CFOs—willing to work part time with the clients' companies.

Moreover, the sophistication of Dunn's presentations helps alleviate any anxiety corporate clients might feel because his company, Financial Management Consulting Group, in Portland, Ore., consists of only Dunn and a partner.

"We are real happy with the look and impressed with the resolution and sharpness of the color we get" from the company's office printers, says Dunn, who owns both a laser printer and a color inkjet printer.

Why two products? Because Dunn took advantage of sharply dropping prices to gain the flexibility and added capabilities that result from having multiple printers in a single office.

The laser provides fast, inexpensive printing of simple black-and-white text documents, while the inkjet yields exquisite color-graphics printing, though at slower speeds and a higher cost per page than the laser.

Dunn's two-printer solution is becoming increasingly commonplace among entrepreneurs, says John McIntyre, an analyst with Lyre Research, an industry research firm, in Cambridge, Mass. "Because inkjets and lasers both are so cheap now, many people are buying two printers for about what a single laser printer used to cost," he says.

There is virtually no downside to owning several printers for multiple specialty tasks, McIntyre notes. Not only are today's printers inexpensive, they're also easy to use and require almost no maintenance, he says.

Bruce Dale, a photographer in Arlington, Va., who specializes in commercial advertising work, owns only one printer. However, that color inkjet is an essential component of his business operations, he says.

Dale is used to evaluating high-quality photos and related equipment as a result of 30 years' experience as a staff photographer for *National Geographic*. He uses his inkjet frequently to churn out promotional pieces and advertising proofs as well as black-and-white documents. "This isn't the same as a $150,000 Iris printer [a high-quality professional printer for the graphic-arts industry], but it can certainly give one a run for the money," says Dale, referring to his under-$500 Epson Stylus Color inkjet.

Like Dunn of Financial Management Consulting, Dale says his low-cost printer allows him to appear to be on a par with larger competitors.

Whether you are thinking of buying one, two, or more new printers, says McIntyre of Lyre Research, be sure to spend ample time examining this fast-changing, highly competitive market—especially if you have not purchased a printer in several years.

What printing technology should you examine most closely for your company? Here are the major printer categories and brief descriptions of their relative strengths and weaknesses:

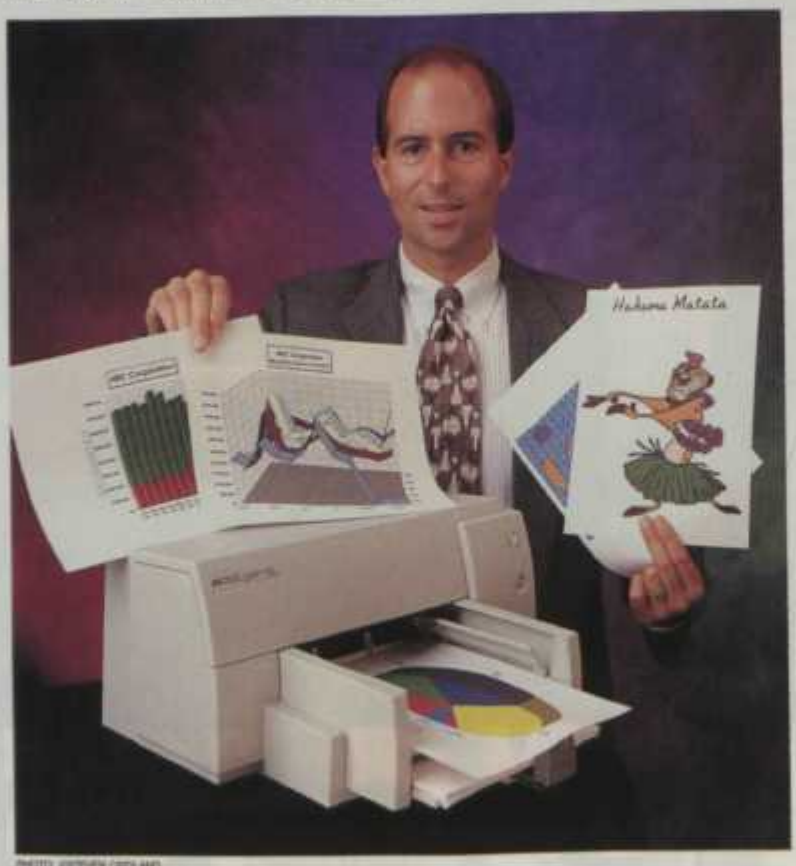


PHOTO: STEVEN CRIDLAND

For presentations *to his top-executive clients, financial-management consultant Patrick Dunn needs—and has—printers that turn out richly colored documents that convey an image of professionalism.*

Laser Printers

Black-and-white laser printers employ essentially the same technology as copying machines: Rollers carry paper through the machine, toner adheres to areas of the sheet where printing is to occur, and heat fuses it there permanently.

The advantages of laser printing include relatively fast speeds, high printer reliability, output of nearly typeset quality, low cost per page, and great paper-handling flexibility.

Output speeds of monochrome laser printers range from four pages a minute for models costing $400 or less to 16 or more pages a minute for units costing $1,500 and up. The more expensive models are designed primarily to service many users connected by a local area network.

Compared with other types of printers, lasers typically can hold more envelopes

Turning Dreams into Realities



The "Hitachi Promise of Tomorrow" scholarship program encourages student athletes to take the lessons learned on the football field today and teach children in the classrooms tomorrow.

Encouraging Student Athletes to Become Teachers

During his three years as nose guard on Louisiana State University's football team, John Mawae came to know the thrill of victory and the agony of defeat. But nothing moved him more than working with disabled children in a Special Olympics held at LSU. "Seeing those kids realize their dreams against all odds really got to me," Mawae recalls. "I knew then what I wanted to do: help kids like them realize their dreams."

Mawae will get that chance, thanks in part to the "Hitachi Promise of Tomorrow" scholarship program created by the College Football Association (CFA) and sponsored by Hitachi, Ltd. Started last academic year, the program awards $335,000 in scholarships at the 67 CFA member universities. At each university, a $5,000 scholarship is awarded to an outstanding senior or graduate student who intends to become a teacher and has participated in the school's football program as a player, trainer, or manager. Mawae, a 1992 scholarship recipient, intends to use his grant to pursue a career teaching kids with special needs.

"Teaching plays an important but undervalued role in society," says Charles M. Neinas, the CFA's executive director. "We'd like to encourage more student athletes to pursue this field, because we think that what they learn on the football field helps to make them effective teachers in the classroom."

Nicole Hagner, a recent University of Pittsburgh graduate, agrees. "Athletics teaches you that it's possible to turn the right dream into a reality through hard work, discipline and teamwork. I'd like to bring that lesson to the classroom," she says. Hagner, who served as a student trainer on Pitt's football team, plans to use her grant to become certified as a high school biology teacher.



Nicole Hagner, University of Pittsburgh graduate and 1992 scholarship recipient.

As college football fans and parents of school-age children, we are proud to be a part of the "Hitachi Promise of Tomorrow" scholarship program. We hope that it helps more student athletes like John and Nicole to realize their dreams of becoming teachers.

HITACHI

© 1993 HITACHI

and sheets of paper of various sizes. They can also do more with them, such as print on both sides of sheets, called duplexing. Also, most lasers now employ an inexpensive, convenient, one-piece system in which users simply snap in a $75 toner/developer replacement cartridge every 3,000 or so pages.

As for drawbacks, there are few. In fact, about the only negative aspect about printers of this type is that they can print in only one color—black.

When shopping for a monochrome laser, look for a model that prints at a resolution of at least 600 by 600 dots per inch, processes six or more pages per minute, and holds 200 or more sheets of paper. Printers of this capability cost $500 to $600.

But if your company is on a tight budget, you might get by with an entry-level $400 model—300 dots per inch, four pages per minute, and a 100-sheet capacity.

Color laser printers operate like their monochrome siblings, except they can print in full color by supplementing black toner cartridges with cyan, yellow, and magenta ones.

This relatively new class of office printers offers most of the advantages of monochrome lasers, including fast black-and-white output, paper-handling flexibility, and network-connection capability.

However, there are some drawbacks to current color laser printers. Among them:

- Print speeds in color are decidedly slow—two to three pages a minute.
- Maintenance requirements are far greater than those for monochrome laser printers, because of the color printer's relatively complex multiple-cartridge system.
- Equipment costs are high, with prices starting at about $5,000.

Color laser printers thus seem best-suited for graphic-arts companies and other production-oriented businesses. Says analyst McIntyre: "The cost per page is relatively high, and they just don't have all the attributes that people have come to expect," including great reliability.

Inkjet Printers

Not long ago, inkjet printers were painfully slow, and their output quality was mediocre. They could print using only black ink; no color was available. Inkjets were so inferior to laser printers of the era that they were widely considered suitable only for home use.

Although they continue to be popular among home users, inkjets have become viable—and desirable—office machines, thanks to advances in technology and the introduction of excellent color models. In fact, color inkjet printers have become so good that most vendors no longer make black-only models.

Inkjet printers work by forcing droplets of ink through tiny nozzles in the print head and onto the paper. Ever-smaller nozzles and more precise placement of the droplets on the paper have boosted resolution dramatically, compared with early inkjet models. Print speeds also have gone up significantly.



Moreover, today's inkjet printers are lightweight (usually 8 to 14 pounds), are easy to use and maintain, and, thanks to the saturation of the ink, produce some of the brightest and best-looking color of any type of printing device.

Sorting It Out

Deciding the type of printer to get for your business should not be difficult if you use the guidelines in this article. Choosing a specific model may be more challenging, however, because the major manufacturers offer many models in various categories. If you buy a printer, choose one manufactured by a mainstream vendor, to ensure long-term availability of supplies and replacement parts. Following are a few printers of varying capabilities in each category.

Monochrome Laser Printers

Brother HL-630; Brother International Corp.; 1-800-276-7746. Resolution of 300 by 300 dots per inch (dpi), output of six pages per minute, easy to use, and an overall solid performer at the bargain retail price of about $375.

Hewlett-Packard 5L; Hewlett-Packard Co.; 1-800-752-0900. H-P's newest entry-level printer provides 600-by-600-dpi output at four pages per minute. Its overall quality is excellent, it's easy to use, and it's a good deal at a retail price of about $475.


Lexmark Optra R+

Lexmark Optra R+; Lexmark International Inc.; 1-800-358-5835. Very high resolution of 1,200 by 1,200 dpi for nearly photographic quality, 16 pages per minute, superb network connectivity and paper-handling options, and more. Certainly among the best laser printers tested. Retail price: about $1,400.


NEC 660I

NEC SuperScript 660; NEC Technologies Inc.; 1-800-NEC-INFO (632-4636). 600 by 600 dpi, six pages per minute, easy to use, and compact. Optional color toners offer spot color in blue, red, or yellow. Retail price: about $550.

Color Laser Printers

Lexmark Optra C; Lexmark International Inc.; 1-800-358-5835. 600-by-600-dpi resolution, speeds of 12 pages per minute in black and white and three pages per minute in continuous-tone color, and a retail price of about $6,400.

Apple Color LaserWriter 12/600PS; Apple Computer Corp.; 1-800-538-9696. High-quality PostScript printing and a 250-sheet feeder distinguish this fine printer from the Lexmark. It produces the same output quality at the same speed as the Lexmark, however, because it uses the same print engine, manufactured by Canon. Retail price is about $6,200.


Apple Color LaserWriter 12/600 PS

Early color inkjets achieved good color only on special coated paper, but new inks now produce good color on any ordinary office copy paper or stationery. If you do opt for coated paper, today's inks will produce color quality that approaches that of a photographic print.

Inkjet printers do have some shortcomings, however. If you use one to print thousands of pages a month, you'll wear it out pretty quickly. If you are working under tight time constraints, the typical speed of four pages per minute can be maddening. Also, in comparison with laser printers, inkjets have higher costs per page, generally lower paper capacity (usually about 100 to 150 pages), and fewer networking options.

When shopping for an inkjet, find one with a resolution of at least 300 by 600 dots per inch in black and white, and, if possible, critique a color-output sample on your office paper.

Also, make sure you buy a current model. Inkjet technology is changing so fast that even a six-month-old printer may lack the features and performance of newer models.

Despite the negatives associated with inkjets, photographer Dale assesses the current crop of these printers as "spectacular" for the money. "In a couple of years, I think most photographic prints will be made this way," he says.

Says industry analyst McIntyre: "The inkjet-printer market is just phenomenal—it is like a runaway locomotive that is crashing through the entire industry. The major vendors simply can't build them fast enough."

Dot-Matrix Printers

Dot-matrix models used to dominate the printer market, but many manufacturers have abandoned this technology, and dot-matrix printers have become relatively difficult to find.

The reason for this fall from grace is that, relative to other printer technologies, dot-matrix technology has changed little over the years: The print head still "hammers" on a ribbon, which in turn creates an image by directly striking the paper.

Although dot-matrix printers are relatively cheap, easy to maintain, and reliable, they are noisy and slow, and they produce low-quality output.

Therefore, unless you need a machine that prints by impact—for tasks such as printing through multipart forms—one of the other printer technologies probably will suit your business far better.

Specialty Printers

A host of specialty printer technologies have been developed to meet important but narrow business needs, most in the graphic-arts fields. They include:

Wax thermal-transfer printers. These devices are superb for producing bright overhead transparencies but are weak for text and other general business printing applications.

Dye-sublimation printers. This is a variation on wax thermal-transfer technology. The size of the dots produced by these devices can be varied so that blends from one color to another can be made essentially continuous, as in a photograph. Consequently, dye-sublimation printers produce the most realistic output of any printer, though they require the use of special paper.

These printers are excellent for reproducing photographs, proofs of advertisements, or other images whose color quality is essential.

However, dye-sublimation printers are relatively slow, expensive, and costly per page.

Phase-change inkjet printers. Printers employing this technology, popularized by Tektronix, melt solid ink "crayons" and spray the resulting liquid on the page, where it resolidifies. The result is high-quality color produced at normal inkjet-printer speeds of about four pages a minute for roughly 10 cents per page. This is an important technology to watch, if not to buy now. NB

Color Inkjet Printers

Canon BJC-610; Canon Computer Systems Inc.; 1-800-848-4123. Photorealistic color at 720-by-720-dpi resolution and speeds of three pages per minute in black and white and about one page per minute in color. Ships with a useful array of software. Retail price is about $550.



Epson Stylus Color II

Epson Stylus Color II; Epson America Inc.; 1-800-289-3776. Color printing of nearly photographic quality, at 720-by-720-dpi resolution with an impressive black-and-white speed of 3½ pages per minute and color speed of one to two pages per minute. Also features automatic color adjustments via software included with the printer. Retail price is about $450.

Hewlett-Packard 850C; Hewlett-Packard Co.; 1-800-752-0900. A great overall small-business printer that delivers resolution of 600 by 600 dpi in black and white and 600 by 300 dpi in color at speeds of six pages per minute in black and white and nearly two pages per minute in color. Connects easily to both personal computers and Macs and retails for about $475.

Dot-Matrix Printers

Epson LQ-5760+; Epson America Inc.; 1-800-289-3776. 360-by-360-dpi resolution at moderate speed and with a low retail price of about $250.

Panasonic KX-P1150; Panasonic Communications & Systems Co.; 1-800-742-8086. One of the least-expensive quality dot-matrix printers available. Although fairly slow, it's reliable and priced at about $140.

Specialty Printers

Hewlett-Packard CopyJet; Hewlett-Packard Co.; 1-800-752-0900. A unique product combining color inkjet printing with digital color copying at about 7 cents per page. Retails for about $2,500.



H-P CopyJet

NEC Super Script Color 3000; NEC Technologies Inc.; 1-800-NEC-INFO (632-4636). A dye-sublimation printer that produces true photographic-quality output. This excellent machine also can print in lower-resolution thermal-transfer mode for fast output for proofs. This is a solid overall performer for graphic-arts shops and has a retail price of about $1,000.

Tektronix Phaser 340; Tektronix Inc.; 1-800-835-6100. This phase-change inkjet is the most versatile and arguably the highest-quality specialty printer available. It's a workhorse that delivers superb color graphics and sharp text in a network environment at four pages per minute and a cost of about 11 cents per color page. Retail price: about $5,000.

MANAGING

Bonus Programs With A Motive

Cash profit-sharing plans are a way to encourage employees to concentrate on the bottom line.

By Howard Scott

Paul Silvis, president of Restek, a Bellefonte, Pa., manufacturer of laboratory testing supplies, found that his rapidly growing company was hiring too many people. "It seemed that any problem was solved with more bodies," he says, "so I decided to set up a profit bonus system that made staffers cautious about hiring."

Silvis created a two-tier bonus system that rewards employees for doing more work without enlarging the number on the payroll. One component of the system deals with raises. It calculates the amount available for raises as a percentage of projected gross payroll dollars at the current staffing level, minus the amount needed to hire new employees. The raise pool grows or shrinks by the amount that payroll is below or above 20 percent of sales.

The system's other component rewards performance. If profit is greater than 20 percent of sales, 8.5 percent of sales goes to employees as a bonus; if it's 17 to 20 percent, employees receive 4.25 percent of sales; and if it's less than 17 percent, there's no bonus.

Bonuses are given out every six months, with the first one based on estimated earnings. Last year's cash bonus equaled 21 percent of the company's 100 employees' payroll. The 10-year-old company had sales of $13.5 million.

"Now, when my people are faced with problems, they don't think of hiring more people. They think of how they can solve the issue by using existing resources, because it means money in their pockets," says Silvis.

More and more small and midsize companies are turning to cash profit sharing as a way to encourage employees to focus on bottom-line results. Unlike traditional profit sharing, which funnels part of the profits into a retirement fund, cash profit sharing—or profit bonuses, as the programs are sometimes called—provides periodic payouts in the form of bonus checks to employees based on company profit.

Because paychecks are tied to company performance, these programs are real motivators, especially in small and midsize companies, experts in the field say. Jim Bloomer, a compensation consultant for Hewitt Associates, in Lincolnshire, Ill., says, "Cash profit sharing makes the employees both feel good and share the pain."

Steve Needel, a partner in the accounting firm of Needel, Welch, & Stone, in Rockland, Mass., has helped many clients set up profit bonuses. "The thing about these plans is that they're nonqualified [not regulated by federal law] and can be set up at the discretion of the management," says Needel. "Moreover, the bonuses are deductible payroll expenses. Most important, the company often does better."

At Mid-States Technical Staffing Services, a contract-engineering employment agency in Davenport, Iowa, the problem was keeping the 37 employees enthusiastic about and committed to placing as many technical people as possible in client firms.

Steve Wilson, the firm's president, devised what he calls a "bucket" plan: When a level of profit is reached, or a "bucket" becomes full, a portion of that profit is distributed to employees. They receive 7.5 percent of the first bucket, and the figure goes up 2.5 percentage points with each succeeding bucket. Moreover, if sales have increased 25 percent at the time a bucket is filled, the bonus percentage is doubled.



PHOTO: USAL DIMARCO—BLACK STAR

The profit bonus plan *at Restek, which makes lab supplies, encourages employees to minimize hiring, says Paul Silvis, president, left. With him are Dave Shelow and Christina Loope.*

Sales manager David McCracken reports that the employees filled nine $75,000 profit buckets last year, and eight of those were double-bonus. Management sets the bucket amount at a level that produces frequent bonus distributions during the year.

Largely because of the bucket plan, McCracken says, the 10-year-old company has grown tremendously. This year the firm opened two new offices, and sales are expected to exceed $8 million. "When the bucket is getting close to full, it's an exciting time around here. Everybody is keyed up," says McCracken.

At Rockingham Electrical Supply Co., in Newington, N.H., Jim Pender, the company's president, wanted to create operating divisions that, through teamwork, could perform profit-making miracles. He set up six divisions and established target profits for each division. Any profit earned above

Howard Scott is a free-lance business writer in Pembroke, Mass.

the amount targeted goes to employees—20 percent to the division's manager and 80 percent to the rest of its employees.

Stuart Gale, vice president of the 76-employee retail and commercial electrical-supply company, says: "What we found is that the program creates a team atmosphere, where people really strive to work together and to help each other out. For some high performers [managers], the cash bonuses can account for 25 percent of pay. Although corporate [headquarters] doesn't tinker with target profits, the bonuses, which go on next year's budget, create a ladder." This is because one year's bonus subtracts from the following year's profit, meaning employees have to work harder to reach the next year's profit target. "That's what we like about our target formula," adds Gale.

Can profit bonus systems work for even the smallest companies? Al Martone, president of Zip Copy Center, in Framingham, Mass., believes they can. His 12-employee instant-print shop has had a bonus system in effect for five years, and Martone credits employee longevity to the plan.

In an industry with exceptionally high turnover, Martone's employees stay an average of six years. His plan is simple. At the end of the fiscal year, he reviews profits and gives every employee one, two, or three weeks' pay depending on how the company did and his assessment of each person's contribution. "I give the bonus out before Christmas, and I personally thank each staffer for his or her contribution," he says. "Sometimes these bonuses can run to $1,000, so the money comes in handy."





PHOTOS: CHRIS STEWART—BLACK STAR

The money game *for teaching employees at Mid-States Technical Staffing Services about cash flow and profit analysis engages, from left, David McCracken, sales manager; Lorie Reem; Steve Wilson, president; and Matt Rebro.*

Profit bonus plans have two characteristics in common: They address a particular need, and they involve the employees in profits. But the second factor requires managers to educate employees about profits.

David Wray, president of the Profit Sharing Council, a Chicago-based organization that encourages and steers companies with profit-sharing programs, says that when a profit-sharing system breaks down, it's often because employees have not been kept informed.

"You can't just set up a profit-sharing system and say here it is," says Wray. "You have to show the worker how turning the valve tight reduces waste, and how cooperating with the next-door worker increases production, and how being careful reduces workers' compensation claims, and how all this results in greater profit."

Mid-States Technical, the Iowa contract-engineering agency, conducts monthly classes to educate employees. Sales manager McCracken says: "At the beginning, we set up a business game, using play money. Someone's the banker, someone's the employees, someone's management, someone's the vendor. In this way, we explain cash flow. From there we go into the budget, then into profit analysis."

Lab-supplies manufacturer Restek has lunchtime cafeteria meetings in which every item of the budget is reviewed, says Silvis, the company's president.

Massachusetts CPA Needel says: "Too often, owners are paranoid about opening their books. They're afraid of showing workers what they earn—whether large or small. But the only way you can have an effective profit bonus is to get over that hump. That's the first thing we tell our clients."

But the true test of a profit bonus system is when the bonuses decline. Ted Castle, president of Rhino Foods, a manufacturer of specialty desserts, with sales of $8 million to $10 million, is coping with that now.

Castle has set up a profit-bonus game in which results are posted daily at the company's Burlington, Vt., plant. At the end of each month, game figures are totaled, and if the game is won, all 75 employees receive a bonus. Victory is achieved when the company has earned a profit amounting to 6 percent of sales. If so, 20 percent of the profit over the 6 percent threshold is equally divided among all employees.

Two years ago employees were averaging monthly bonus checks of $150 to $200, but lately there have been no bonuses. "That's reality, too," says Castle. "Staffers are disappointed, and some may be grumbling, but they are also trying to figure out what can be done." One employee-generated solution to avoid layoffs was to permit about a dozen people to work for other companies temporarily and return when business picks up.

Companies with profit bonus plans must constantly remind employees that the system pays only when profits are generated. "If employees begin to take these bonuses for granted, then the programs are no longer doing their job," says the Profit Sharing Council's Wray. "Even in hard times, companies must stay the course. This keeps profit sharing fresh."

Another consideration is the form of distribution. Experts in profit bonus plans recommend that the division be equitable. Giving everyone the same amount is one approach; another is to make bonus pay a percentage of the employee's income.

Under Mid-States Technical's formula, 35 percent of its pool is distributed equally among all employees with one year or more of service, and the remaining 65 percent is divided among all employees according to their gross wages.

The bottom line is that profit bonuses must motivate employees. Compensation consultant Bloomer adds: "Probably the biggest benefit is the trust created between management and workers." NB

MARKETING

Introduce Yourself Before The Show

To make the most of your exhibit at the trade convention, try these tips for persuading prospects to visit your booth.

By Brenda Ordonez

You've secured a good location for your booth at the trade show, you've upgraded your display, and you have a new company brochure in hand. You feel ready to do your best as an exhibitor.

But your preparations aren't finished. If you want to draw prospective customers to your booth, you should get in touch with them weeks or months in advance.

At trade shows—business-to-business marketing events for professional and technical people in specific industries—about 85 percent of attendees have authority to buy for their companies, says the Center for Exhibition Industry Research, in Bethesda, Md. And most attendees decide which booths they'll visit before they set foot in the exhibit hall.

Thus, it's crucial that you contact these potential customers ahead of time to encourage them to make your booth one of their scheduled stops and consider what you have to offer.

According to the CEIR, there are four effective types of pre-show promotion:

A personal letter explaining what you have to offer, along with a complimentary pass to the exhibit hall. This approach generates the most response, according to the organization. Most shows give exhibitors free passes to promote attendance. With a personal computer and desktop-publishing software, you can produce letters and insert materials quickly and professionally at low cost.

A personal invitation by fax is an attention grabber. Make it specific and tailored to the recipient; don't make it a form letter.

A personal phone call from a salesperson leaves a favorable impression. Prospects appreciate the attention and service. A follow-up phone call after sending a personal letter can boost response considerably.

Direct mail (distinct from personal letters) lets you reach new prospects who may not be aware of your product or service. You can mail to targeted names purchased from a list broker, perhaps, or to last year's show attendees. Ask the trade show's managers for the list.

Examples of the countless firms that successfully use such approaches include two in Oregon.

Pacific Control Supply, Inc., a Portland distributor of electronic and software control products for automated factories, uses personal letters to attract prospects to its exhibits at 15 trade shows each year. "We target the decision makers," says Tamara Jackson, the firm's trade-show coordinator. Responses are tracked at each show by salespeople and through contest entry forms completed at the company's booth.



ILLUSTRATION: GEORGIA LEIGH MCDONALD

Lucidyne Technologies Inc., a Corvallis firm that makes process controls and scanning equipment for the wood-processing industry, exhibits in five trade shows each year. The firm sends its prospects personal letters and a registration form—stamped with Lucidyne's name—giving the recipient free or discounted admission to the show. The form can be used to register in advance, enabling the recipient to avoid long lines at the show. "This allows us to provide a convenience for our clients and save them money," says Dusty Moller, technical-products manager.

Promotion before the show is smart marketing not only for trade-show exhibitors but also for those who exhibit at consumer shows, which are distinguished by their retail sales atmosphere. As in reaching business professionals, so too in drawing the public to your booth: It's the exhibitor's challenge. "We stress to our exhibitors that we will bring people to the show, but we can't make them stop at the booth or buy the products," says Joan Zimmerman, president of Southern Shows Inc., a major consumer-show producer, in Charlotte, N.C.

The techniques that work for trade shows can generally be adapted for consumer shows. (An exception is the use of the fax; most consumers don't have a fax machine at home.)

Jane Delgado, managing director of Wilma Schumann International Inc., a skin-care clinic and body spa, in Coral Gables, Fla., says her company mails pre-show announcements to its 4,000 clients. It also gives complimentary show passes to preferred customers, and it runs advertising one week before a show offering free product samples. "Our participation in the Southern Women's Show in Miami last year got us an additional 2,000 clients," says Delgado.

Atlanta watercolor artist D. Morgan exhibits her paintings in two consumer shows held annually in Charlotte. "I feature the shows in my quarterly newsletter mailed to 8,000 collectors nationwide," says Morgan. "A month before each show, I send a postcard to selected ZIP codes in states surrounding North Carolina offering a 10 percent discount on show purchases."

Morgan's pre-show promotion typically draws many collectors who have purchased her work at previous shows and want to see—and perhaps buy—what's new.

Many small companies find they can meet their sales goals for the year by exhibiting in major shows and doing a good job of pre-show promotion. Piquing the interest of potential buyers ahead of time is a good way to get maximum return from your exhibit dollars. NB

Free-lance writer Brenda Ordonez of Fort Myers, Fla., is a contributing writer for EXPO *magazine.*

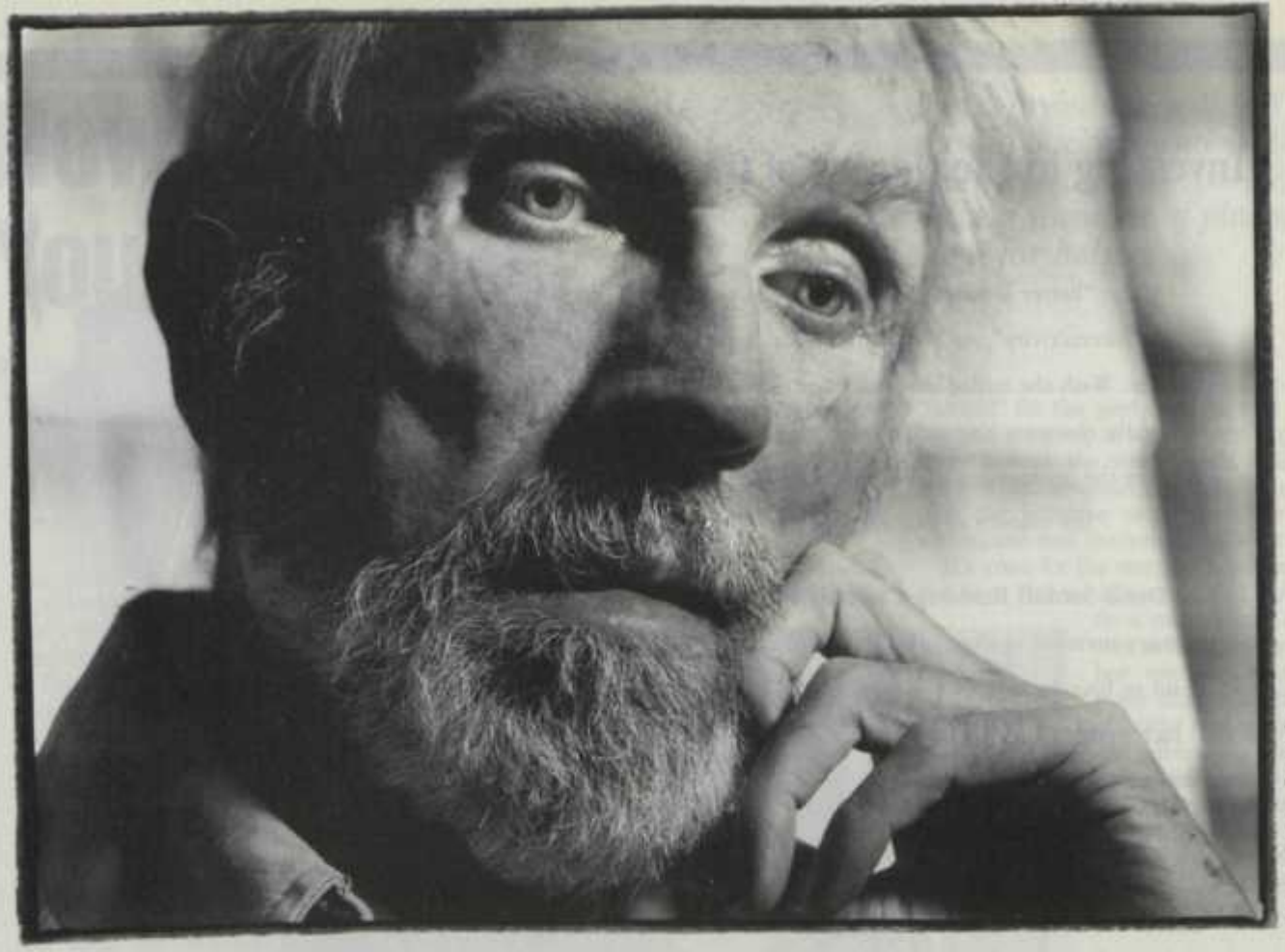


Photo: Peter Gregoire

April 1989 was not a good month for me.

I was diagnosed with AIDS. Before the end of the month I was declared legally blind. To be hit with two afflictions like that was so devastating.

I don't have any friends left. Most people can't deal with AIDS. It used to make me mad as hell. But now I understand. It makes them think about their own death.

I don't want to be alone. What's the point of that?

UJA-Federation sent me 'buddies' who have continually stood by me. It's not just someone to get your groceries. It's much more than that. It doesn't matter what we do—basically it's sitting down and talking with somebody. And it makes you want to continue to survive.

These volunteers help improve the quality of life that I have left. And for me, that's the best thing in the world.

UJA-FEDERATION OF NEW YORK

WE HELP 4.5 MILLION PEOPLE A YEAR. ONE AT A TIME.

FOR MORE INFORMATION OR TO MAKE A DONATION, PLEASE CALL 1-800-UJA-FED7

Investing in the Genius of the Mind

The "better mousetrap" in the digital revolution is "interactivity".....We communicate more..... Faster. With the added dimension of interaction rapidly changing the way we do business..... Practice the professions.....Educate.....Probe the essence of our existence.....

The David Sarnoff Research Center has always invested in the genius of the mind to become a world leader in digital technology.....Creating high-definition TV.....Digital broadcasting of video.....Video servers and computers.....Virtual reality.....Developments as vital and personal as digital tools for breast cancer diagnosis put Sarnoff at the heart and forefront of the digital revolution.....

Leadership is always the goal.....As information technology radically changes your world and your markets, Sarnoff has the culture and business outlook to partner with your organization and exploit every opportunity in this "age of interactivity".....For information call: Interactive Systems Division, CN 5300, Princeton, NJ 08543-5300 (609)734-2507. When you wish to interact with the genius of the mind to trap a bigger share of the future.....



DAVID
SARNOFF
RESEARCH CENTER
Subsidiary of SRI International

50 FIFTY YEARS OF VISION

MANAGING

How To Broaden Your Skills

Entrepreneurs without a strong background in the business they're starting have a number of places to turn for help.

By Sharon Nelton

For 10 years, Lorie Line worked at various jobs—from typist to marketing director—in the construction industry while she went to the University of Nevada part time to get a degree in music performance. Little did the New Age pianist know that her construction experience would one day help her launch her own successful recording company.

Through that experience, she says, "I got to see the big picture." And when Line got a job playing piano at a Dayton's department store in Minneapolis and shoppers began asking if she had tapes or compact discs, she saw an opportunity. She made her own recording for about $2,000 and convinced Dayton's that she and the store could both make money if it bought her tapes and CDs and put them out for sale when she was playing for customers.

Today, Line's six-year-old company, Time Line Productions, Inc., in Wayzata, Minn., has seven employees and $3 million a year in revenue from her recordings, which are sold nationwide, and from the more than 50 concerts she gives each year.

A Columbus, Ohio, entrepreneur, David Cupp, confronted his need to learn more about business immediately after he decided to convert more than 30 years' experience as a newspaper and magazine photojournalist into an enterprise that would sell photos electronically.

He walked into his local U.S. Small Business Administration office late last year in search of a loan, and, he recalls, when an official asked to see his business plan, he replied, "What's a business plan?" Cupp spent the next several months learning what a plan was and how to write one.

Like Line and Cupp, many entrepreneurs come from fields other than business. Or they come from companies unlike the ones they start. And for most, turning their talents into a profitable venture means gaining new skills.

Those who fail to learn are doomed to fail. This reporter recalls going to the office of a growing medical partnership for an appointment and finding that the practice had moved to a new location—without notice to the patients. An employee said such notification would have been too much trouble.

It was no surprise when the partnership closed down.

Entrepreneurs who succeed are constantly learning. And sometimes they learn what others are doing just so they can do it differently or better. Line, for example, says that in her business, it would be "normal" for the performer to wait for a big-label company to sign her and to get an agent to book the concert halls. But Line felt that neither would happen to her, so she took the initiative to produce her own albums and rent the concert halls herself.

It's great for the company's bottom line, she says. Instead of getting paid $5,000 to do a concert in a 2,500-seat auditorium, she says, her company may get more than $60,000 and, after the rent, orchestra, and advertising are paid, have much more than $5,000 to show for it.



PHOTO: SIEVERT WOLF

New Age pianist *Lorie Line, of Wayzata, Minn., drew on experience in the construction industry to start her own music company.*

Entrepreneurs learn their businesses in various ways. Here are eight of them:

Experience

This is that old faithful, "trial and error." Some entrepreneurs learn, for example, that their supplies cost less at wholesale clubs such as Sam's or Price Club than at regular wholesalers, which are typically geared to larger-volume customers rather than small firms.

Or a retailer may discover that the best workers for the operation are not teenagers but people in their 20s who are more serious about the job.

Special Programs

When Dave Cupp confessed that he didn't know what a business plan was, the SBA connected him with a volunteer from SCORE—the Service Corps of Retired Executives. Under the SCORE volunteer's tutelage, Cupp put together a business plan that helped win him a $50,000 bank loan to launch his company, Photos Online. (Cupp writes about the experiences of another Columbus entrepreneur on Page 17 of this issue.)

Several programs are designed for women. The American Woman's Economic

Development Corp., which has offices in five cities—New York; Washington; Stamford, Conn.; and Long Beach and Irvine, Calif.—offers sessions on such topics as starting or buying a business or making one grow, pricing consulting services, and using the Internet to market a company.

A similar organization in Chicago, the Women's Business Development Center, sponsors workshops on financial analysis, selling to the government and corporations, and market research for the entrepreneur.

Curling Up With A Good Book

The business sections of many bookstores are bursting with books useful to entrepreneurs. In its fall catalog alone, the American Management Association's book-publishing division, AMACOM, lists at least a half-dozen books helpful to the new business owner. Among them is *Diary of a Small Business Owner*, Anita F. Brattina's 10-year personal account of how she built her own profitable Pittsburgh business, Direct Response Marketing.

It's full of lessons learned. In an entry from her third year of business, for example, she says that in the past "I would never consider telling my clients what I didn't understand. . . . Now I do ask a lot more questions and am freer to admit what I don't know. But it has been like exercising a muscle. At first it was painful. As I did it more frequently, it got more comfortable. And finally, releasing my fears and asking for advice actually made me stronger. I learned faster."

Trade Associations

If you don't belong to an association in your field, it's time to join. Trade associations offer some of the best wisdom available in your own industry—through meetings, conferences, and trade journals. To find the organizations that are right for you, check your library for a directory called *National Trade and Professional Associations of the United States*, put out by Columbia Books, in Washington.

Other Organizations

Local and national chambers of commerce can be fonts of knowledge for novice business owners. For example, the U.S. Chamber of Commerce, in Washington, has just launched the Small Business Institute, aimed at providing time-pressed business owners with quick information on such topics as marketing and sales, budgeting and finance, customer service, and human relations and communications. (See "A New Opportunity For Learning," on Page 51 of the October issue of *Nation's Business*.)

Organizations such as the National Minority Supplier Development Council, headquartered in New York, and the U.S. Hispanic Chamber of Commerce, in Washington, offer conferences and trade fairs that are also sources of valuable learning.

University Programs

Colleges and universities nationwide offer courses for entrepreneurs without a business background. Columbia College Chicago, for example, offers degree programs in its department of arts, entertainment and media management for people in such fields as photography, art, theater, music, dance, television, and radio.

"Many of [the students] are remarkably entrepreneurial by nature, and they're disciplined and high-energy people. So they bring sort of an entrepreneurial attitude with them," says J. Dennis Rich, chairman of the department. "What they don't tend to have are the tools that will allow them to do the kind of analysis and problem solving they need to do to be successful in their own business."



PHOTO: STEVE WOIT

Learning from others *is important, says Lorie Line. One of her best teachers is her business-trained husband, Tim.*

Small Business Development Centers, which are co-sponsored by the Small Business Administration and provide counseling and managerial and technical assistance, are housed at learning institutions across the country. For the one nearest you, call your local SBA office or the Small Business Answer Desk at 1-800-8-ASK-SBA.

Not to be overlooked are community colleges, which frequently offer a wide range of entrepreneurial courses.

Franchisors' Training And Networking

One company that offers such help is the Rocky Mountain Chocolate Factory, a candy company based in Durango, Colo. It provides a 10-day training course for new franchise owners, plus manuals for marketing and other procedures. In addition, franchise owners can call company representatives at any time for help and information.

Ed and Becci Bartolomeo, who own the Rocky Mountain store in Queenstown, Md., and are about to open another, in Freeport, Maine, say every suggestion their district manager has made to them about merchandising, an area in which they feel they are weak, has helped them make money.

Neither of the Bartolomeos had retailing experience before they began running their store last year.

Advisory Boards

One of the best ways to learn what you need to know is to surround yourself with experienced business people who are committed to helping you.

Author Brattina, when she began to question her ability to grow her company by herself, pulled together an advisory board through Powerlink, a Pittsburgh volunteer organization that provides such boards to women who own a business. But to make the best use of a board, she writes, you have to know what you want help with, "then shut up and listen."

In many cities, business owners who have some experience but still want help and advice come together in small groups organized by The Executive Committee (TEC), an international organization of CEOs that is based in San Diego. TEC participants often describe their groups as an informal board.

In the final analysis, people learn from people. Lorie Line says she learns a great deal about running her business from her husband, Timothy J. Line, a former marketing executive who joined Time Line Productions in 1993 and is now its vice president and general manager.

And together they learn from other business owners, even when they're socializing. They have a lot of "entrepreneurial friends," Lorie Line says. "We try to hang out with smart people." NB

To order a reprint of this story, see Page 77.
For a fax copy, see Page 35.



Our customer base

Measurably better. *With Dodge Ram Van, you get to select among three body lengths. Not only that, Ram Van's maximum payload is greater than Ford, Chevy or GMC.*



More hard-working power. *Dodge has what is, overall, the most powerful line of truck engines on the planet. So it's no surprise that Ram Van's 3.9L Magnum® V-6 engine gives you more standard horsepower than any other van. What's more, two Magnum V-8s are available – a 5.2L and a 5.9L.*

V8 MAGNUM

Standard driver's airbag. *Dodge is the only full line truck manufacturer to put a standard driver's airbag in*



every single truck it builds.† So of course, Dodge Ram Van comes with one.



Standard anti-lock brakes. *To help you get to work safely, Ram Vans feature standard rear-wheel or available four-wheel anti-lock brakes.*

We stand behind our work. *Ram Van is backed by our Customer One Care™ 3-year or 36,000-mile bumper-to-bumper warranty and 3/36 Roadside Assistance. There's a 7-year/100,000-mile outer body rust-through warranty, too.**

Solid value. *Your Dodge dealer offers a Ram Van Tradesman Package that includes many of the options you look for in a work van. For the name of your nearest dealer, or for information on commercial buyer incentives, call 1-800-WORK RAM.*



just keeps building.

†Always wear your seat belt for a fully effective airbag. *See limited warranties and restrictions at your dealer. Excludes normal maintenance & wear items.

America's Truck Stop

The New Dodge
A DIVISION OF THE CHRYSLER CORPORATION

Family Business

A youth movement's sweet succession; getting out of the holiday spirit.

By Sharon Nelton

OBSERVATIONS

A Better Way To Pass The Baton

In most family businesses, succession is planned from the top down—with the senior generation making the plans and the decisions.

But six members of the third generation in the Zeigler family, of Lansdale, Pa., planned and implemented their own succession from the bottom up. And do you know what? It worked.

M.H. Zeigler & Sons, Inc., was born during the Depression when Morris Henry Zeigler began pressing apple cider in his garage and selling it door to door. In 1972, the business passed on to two of his sons and a son-in-law—Paul Zeigler, Ken Zeigler, and Harvey Freed.

"They grew the company by moving it away from the door-to-door delivery and into wholesale," says Joe Zeigler, the third-generation president. By the time Joe and his peers came into the business, Zeigler's apple cider was sold in supermarkets from the New York suburbs to Washington, D.C.

But Joe's generation, as it became heavily involved in the business in the 1980s, brought new energy into Zeigler's and found itself pushing the company even further. By the late 1980s, Zeigler's cider was moving into new markets as distant as Texas, sales volume was expanding by 10 to 20 percent every year, and the firm was preparing to launch new apple-based products and lemonade.

The younger Zeiglers began to recognize that a more professional management approach was needed to handle the stresses that growth put on the company. As a smaller enterprise, it had flourished under an informal, hands-on management style. But eventually, Joe says, "our generation looked at each other and said, 'Our fathers and uncles have done a lot for us and they've taught us a lot and have given us the freedom to push, but we ourselves, in pushing and in increasing the size of the company, are going to have to provide some future solutions for the company."

Five years ago, six members of the new generation—Paul's sons, Joe and Tim; Ken's sons, Dan and Brad; and Harvey's son, Rick Freed, and son-in-law, Gary Turner—began what they now say was vital to the process: a series of daylong retreats by themselves to focus on what they thought was needed.

They chose Joe as their leader and began working together to develop a new approach to management and structure.

Since there were other Zeiglers in the business, Joe met with each family member of his generation and did a "gifts assessment," looking at what each was good at, in what areas he or she needed to improve, what the individual's career goals were, and



PHOTO: T. MICHAEL KEZA

Third-generation *members of the Zeigler family, including, from left, Tim Zeigler, Gary Turner, and Joe Zeigler, are updating their apple-products firm's management approach.*

Guidelines For Resolving Conflict

How do the six third-generation brothers and cousins who now run M.H. Zeigler & Sons, Inc., get along? "It's a little like that ice cream . . . not heavenly hash—rocky road," says Gary Turner, head of transportation and apple purchasing for the Lansdale, Pa., cider company.

The Zeiglers say conflict is normal in running a business and resolving it is both possible and healthy. Among their guidelines for advancing the process are these:

- Make every attempt to establish a mutually agreeable goal.
- Seek, with an open mind, to understand the other's position.
- Avoid nonverbal cues that may seem threatening or encourage an argument.
- Speak for yourself, saying "I" (feel, think, etc.).
- Do not schedule more than one meeting a day that involves conflict resolution.
- When necessary, invite a third party to help think about the approach.
- Use "timeouts" to avert serious communication breakdowns and negative behavior.

The Zeiglers also advocate "active listening," such as focusing intently on what the other person is saying, paraphrasing and communicating back what the speaker has said to be sure you understand, and providing an opportunity for questions and clarification when a listener seems confused.

CAN YOUR BUSINESS SURVIVE YOUR FAMILY?

For Faster Service
Fax Order To 1-202-463-5641



Can't understand why dad won't retire? Think your kids could never run the company? Worried how the family business will survive?

"Making Your Family Business Outlast You" can help ensure that your business is passed on successfully to the next generation.

Developed by three of the country's leading family business authorities, the six-cassette audio program and "how-to" workbook gives you insights and techniques on:

- Communicating Your Family Business Vision
- Understanding Your Family and Managing Family Conflicts
- Managing Your Family Business
- Raising Your Children For Leadership
- Preparing and Implementing A Succession Plan
- Finding and Using Advisers and Directors

Half of all family businesses risk failure because they don't have a succession plan—don't let yours become one of them!

Nation's Business

ORDER TOLL-FREE
1-800-538-4400

Send to: Nation's Business, Circulation Dept.
1615 H Street, N.W.
Washington, D.C. 20062-2000

Send me:
"Making Your Family Business Outlast You"

❑ Enclosed is my check for $99.00
❑ Bill my credit card: ❑ AE ❑ MC ❑ VISA

Card # _____ Exp. _____

Signature _____

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

CA and D.C. residents add appropriate sales tax. NB1295

Circle No. 44 on Reader Service Card

how those goals matched the firm's needs.

The six brothers and cousins came up with a plan to organize the company into more sharply defined departments and provided job descriptions that made responsibilities and accountability clear. Finally, they called their fathers together for a meeting to present their ideas.

"I'll tell you something," Joe told a group of business people at a recent meeting of the Delaware Valley Family Business Center, based in Sellersville, Pa., outside Philadelphia. "They listened very carefully, they gave suggestions, and most of all they gave us freedom—freedom to implement what we were talking about."

Thus began the formal transition from the second generation of Zeiglers to the third. And, as Joe points out, a family-business transition requires two generations—one to grab hold and one to let go. "Both have to happen," he says. "We realized later that our daylong retreats were a new level of us grabbing hold as a generation."



PHOTO: T. MICHAEL KEZA

Family-retreat *leader Henry Landes advocates a sharing of wisdom among generations.*

The six also used their retreats to prepare for the legal and financial aspects of the transition, including the sale of the business from the second to the third generation. Their goal: an arrangement that would be financially sound for themselves and the company but that would also, as Tim Zeigler says, "provide some assurance for the group who was letting go." They turned to a tax attorney and other professionals for guidance.

"Once we had the general outline put together, we did 'model' documents so that we could understand how it might look," says Tim, who oversees the company's financial-information system and administrative department. The documents included stock purchase and redemption agreements, consulting agreements, shareholder agreements, agreements of sale for company properties, and a partnership agreement.

After 2½ years of planning, the transition was completed in December 1992.

And how has the company, which has 48 employees, done under the new leadership? Earnings have increased significantly, say the Zeiglers, and the company's stock more than doubled in less than two years and is still rising.

Decision making has become more efficient and the company environment also has improved, Tim says. It has been helpful for the new partners and the employees alike to have a clear chain of command. The new owners have also been trying to overcome a "we vs. them" (family vs. employees) atmosphere, Tim says, by "fostering a 'we' environment." To help do so, they have introduced profit sharing with the employees.

The third generation ranges in age from their early 30s to early 40s, and when the leadership transition was concluded, the fathers were only in their early to mid-60s—bucking the stereotype of owners who just won't give up the reins.

But, as Henry D. Landes, president of the Delaware Valley Family Business Center, notes, the fathers had other interests in life that made it easier for them to let go.

Landes conducted one of the sons' retreats, and, drawing lessons from the Zeigler experience, he says: "While this is an excellent example of a smooth transition from the second generation to the third, ideally I would recommend that there be more involvement of the second generation." That way, he says, the process draws on the wisdom of both generations.

The transition was eased, Landes says, by the fact that the brothers and cousins "really are committed to each other, and they share family and religious values that are highly congruent." He says they "share a dream about working together and continuing this business into the fourth generation." He also believes their fathers effectively conveyed to them the concept of responsible stewardship of the family business.

It was "perhaps the most successful transition that I've seen," says Kenneth D. Hochstetler, vice president of corporate lending at Union National Bank, in Souderton, Pa., who helped the Zeiglers work out the financial details of the transfer.

In a particularly moving moment at the Family Business Center meeting where Joe and three of his partners described the transition, Joe said—with their three fathers present: "Your nephews and your sons want to give you thanks publicly for the way in which you prepared us, for the way in which you supported us, for the way in which you most of all trusted us to be able to take the business and to move on in the way in which we believed we needed to." NB

MARK YOUR CALENDAR

Dec. 6, Agawam, Mass.

"How To Make Your Kids Furious, Your Business Unmanageable, and Uncle Sam Your Principal Heir," a transition-planning seminar with consultants Paul and Pat Frishkoff. Call Ira Bryck, director of the Family Business Center at the University of Massachusetts at Amherst; (413) 545-1537.

Dec. 7-9, Durham, N.C.

The "Next Generation Workshop" is aimed at people in their 20s and 30s who will be the stewards of family philanthropy. Contact Alison Wheeler of the Council on Foundations; (202) 467-0407.

Dec. 14, Randolph, Mass.

"Special Interests of Members and Spouses ... Choose From a Menu of Options" is a half-day forum for family-business participants and their spouses, who may or may not be active in the business. Sponsored by the Northeastern University Center for Family Business. For information, call Paul I. Karofsky at (617) 320-8015.

Jan. 17, Washington, D.C.

"Managing People As Your Business Grows" is a breakfast roundtable offered by the George Washington University Center for Family Enterprise. Call (202) 994-9150.

Jan. 31-Feb. 3, Safety Harbor, Fla.

"Reconciling the Balance: Money, Work and Women," a program for women in family-owned business, features nationally known consultants Matilde Salganicoff and Fredda Herz Brown. Call the Family Business Learning Institute of Metropolitan New York at (201) 461-7356.

Feb. 2-3, Grove City, Ohio

The Third Ohio Conference for Family Businesses focuses on such topics as enhancing relationships, understanding up-to-date business planning, improving communication, and estate planning. Call Business and Estate Planning Services Unlimited at (614) 871-0114.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

When it comes to working with New York businesses we're as local as the 1/9 6 and 7

From Battery Park to Silicon Alley and Midtown, the most reliable long distance carrier has a local team here in Manhattan.

Because we live and work in New York, we can offer a down-to-earth, around-the-corner perspective on your business's needs. From complete voice systems to data services. Locally. And around the globe.

Only AT&T gives New York businesses the world's most reliable carrier. And innovative products backed by excellent customer service. All at competitive prices. Guaranteed.

But that's not all we guarantee for business in New York. We also guarantee reliability. So, if your service ever goes down for any reason, it will be back up in minutes. Not hours. AT&T also guarantees that your international faxes will get there. We guarantee on-time installation. So, when we say a service will be up and running, we mean it.

When you add it all up, AT&T gives you better value for your money. So why not give us a call toll-free? And let your Manhattan AT&T team show you what we can do for your business today.

1 800 688-3183

AT&T. For the life of your business.℠

Exclusions and limitations apply to all guarantees. Reliability guarantee offers credit up to $10, $50, or $300 per incident, depending on service. Fax guarantee provides overnight delivery if transmission fails after analysis. May take over 24 hours to complete delivery. Price guarantee provides one-time payment of one month's worth of long distance up to $500. Call for details.

©AT&T 1995

AT&T

Case Study: When A Holiday Is No Fun

"Spending four days together with all of the family may be a family tradition, but it's not how I want to spend my holiday," says Amanda, 42.

Amanda's grandparents, William and Ruth Corey, launched Corey Custom Homes nearly 50 years ago, with their only child, Susan, working in the office. When Susan married Don, he became the firm's field manager.

Over the years, William and Ruth, along with Susan and Don and their five children, went on retreats around the holidays at the family's cabin in the mountains. The getaways enabled them to review the state of their business and to maintain family relationships. Many business decisions were made at the meetings, and all family members helped set goals.

Susan died 20 years ago. Don continued working in the business and eventually married a woman who had two children. After the deaths of both William and Ruth, Don took over the business and the mountain retreat and continued to fulfill what he saw as a family obligation.

Don is now retired, and he has difficulty convincing the family that the retreats are still important. Now that Amanda and two of her siblings are managing the business, they resent his insistence on these annual events. "They're creating a lot of hostility in our family," says Amanda. The brothers, sisters and step-siblings who are not in the business aren't interested in the retreats at all, even though they do have a financial stake in the company, Amanda adds.

"I just want my sons and daughters to see the value in family retreats," says Don, "but Amanda and the others have their own agendas." He asks: "How else can they maintain family coherence and have a foundation for reviewing the business?"



ILLUSTRATION: TROY THOMAS

Response 1

Retreat From Retreats

As a family-business ritual, mountain-cabin retreats have lost both their efficiency and their intimacy. It's time to formalize family involvement in the company and, when the holidays come around, let the family play.

When the family was small and the first and second generations were intact, blending family recreation with business decision making worked. The company was everyone's focal point.



PHOTO: OCARL DIAZ

Patricia Frishkoff director of the Austin Family Business Program at Oregon State University in Corvallis, Ore.

Not so now. Susan, William, and Ruth are gone. Not all members of the third generation are active in the company. The current frustrations signify priorities outside the original nuclear family and its business. In Amanda's generation, the family includes branches other than the one leading to her parents and grandparents.

The family should separate family and business affairs. Family times are best centered on relationships, support, and fun. Short, small-group family days could be interspersed with less-frequent, all-family reunions.

The business needs a formal way to handle the dispersed family and its varying priorities. A family council, meeting one or two days per year in a more professional setting to address business affairs, should elect representatives to a formal company board of directors. All family constituents should receive a carefully structured information packet about the business, by newsletter or even electronic mail, probably quarterly.

Family, business, and life all change. Structures to support change are more potent than ones that cling to old ways and the illusion of control.

Response 2

It's Not The Same Family

Why does Don want the family to see value in retreats? He's fixated on a solution instead of addressing a problem.

Hostility in the family is being created by something other than the retreats—we don't yet know what—and the siblings may be avoiding important issues.

The best venue for the next meeting, whether it's four days or only four hours, is whatever format encourages constructive discussion.



PHOTO: STODD BUCHANAN

Kenneth Kaye, a Chicago-based psychologist who consults primarily with family-owned companies.

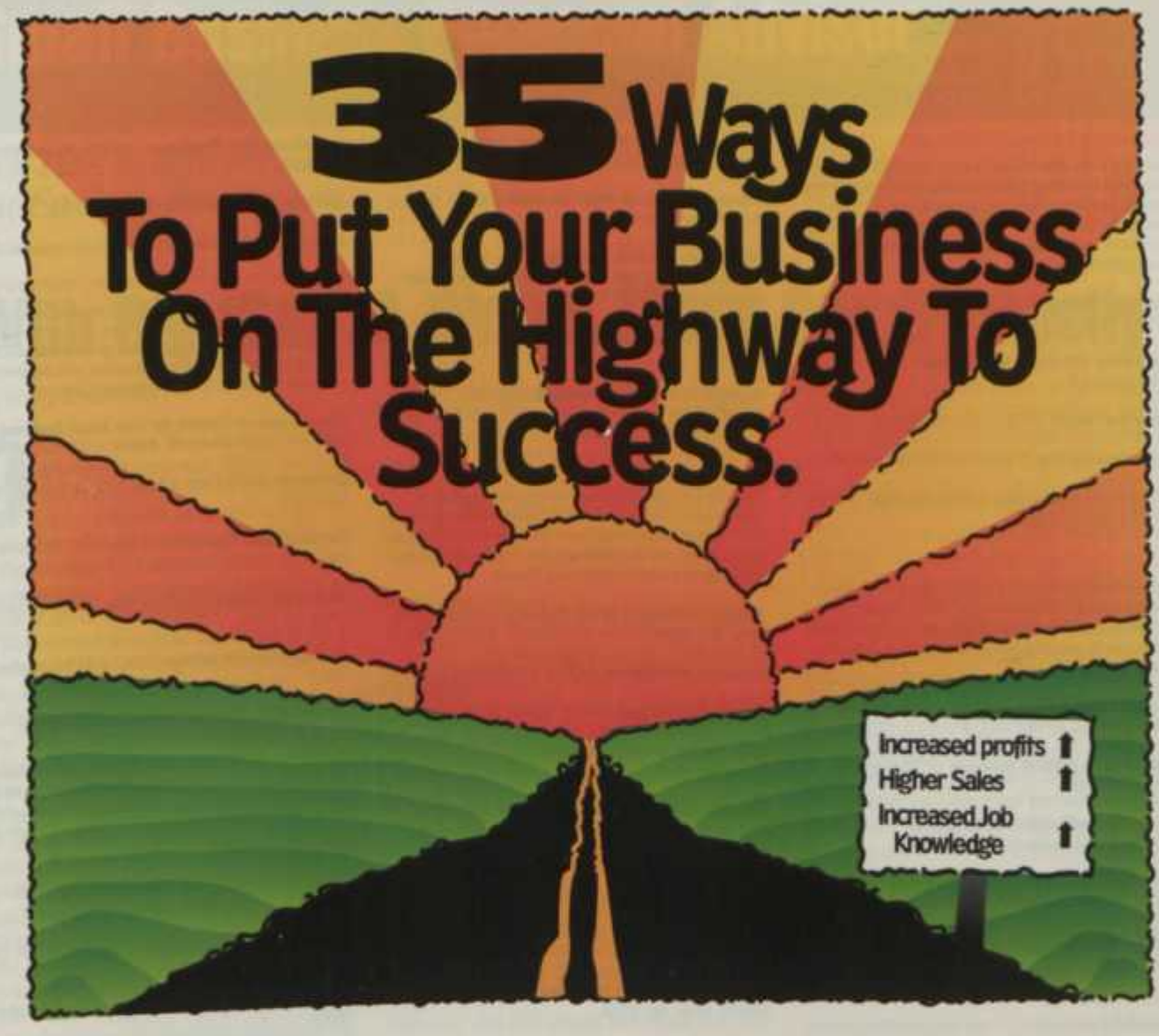
Frankly, though, when most of a meeting is irrelevant to siblings and in-laws who don't work for the business, they can't be expected to participate for several days and nights. Business issues can be addressed at regular executive lunches, and ownership issues at stockholders' meetings. The policy at family get-togethers should be "no formal business allowed." There should be no agenda, no reports, and no deliberate discussion.

The cabin retreat was, in a sense, a "custom home" for the original family. Continuing to impose it as the one means of maintaining family coherence and shared business perspective is like trying to sell every Corey customer the same cookie-cutter blueprint.

What Don nostalgically remembers as the entire family's involvement was really the involvement of only one nuclear family—Susan's. It became a more complex system with her death and the addition of a stepmother and the two stepchildren. The seven children have become adults with their own spouses, children, stepchildren, and former spouses.

There's not enough room in the cabin anymore, Don!

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Georgann Crosby, a consulting partner in the Family-Business Roundtable, a consulting organization in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute. **Copyright © by the Family Firm Institute, Brookline, Mass.**



Is there an easy, cost-effective way to make your business grow faster, become stronger and more competitive?

Yes, by enrolling in the U.S. Chamber of Commerce Small Business Institute (SBI). The SBI provides you with affordable resources to increase profits, train employees, and grow your business. With the SBI, what you learn today, you apply tomorrow.

What is the SBI?

Comprehensive — 35 specially selected books covering 7 critical areas of business management.

High Quality — Up-to-date and to-the-point training materials chosen by small business professionals.

Practical — Proven techniques that can be implemented immediately.

Affordable — Cost-effective education and training.

Read the books at your own pace. During work breaks. At home. Even in the backyard hammock.

Then, reap the rewards:

- Higher sales and greater productivity
- Increased job knowledge
- Smarter decisions, less stress
- A stronger, more successful business

You also get:

- Continuing Education Unit credits
- A personalized certificate for each successfully completed book
- A money back guarantee

Get your business on the highway to success. Enroll in the SBI today!

See next page for enrollment information. ➡

U.S. CHAMBER OF COMMERCE

SMALL BUSINESS INSTITUTE™

Subject Categories and Course Materials

MARKETING AND SALES

Marketing is the driving force of every successful business. Successful marketing means creating and implementing a strong marketing plan, and knowing how to reach customers. The courses in this category are loaded with proven tips and techniques to help you make the most of your marketing dollars.

Marketing Strategies for Small Businesses .6 CEUs; $19.95; Order No. 172-4.

Prospecting: The Key to Sales Success .3 CEUs; $13.95; Order No. 271-2.

Direct Mail Magic .3 CEUs; $13.95; Order No. 075-2.

Professional Selling .3 CEUs; $13.95; Order No. 42-4.

Writing and Implementing a Marketing Plan .3 CEUs; $13.95; Order No. 083-3.

BUDGET AND FINANCE

To successfully grow your business, you need to have a solid grounding in financial basics. From budgeting to cash flow management, to getting the loan you need, these courses teach you what you need to know to build a strong business.

Financial Basics of Small Business Success .6 CEUs; $19.95; Order No. 167-8.

Budgeting for a Small Business .6 CEUs; $19.95; Order No. 171-6.

Extending Credit and Collecting Cash .6 CEUs; $19.95; Order No. 168-6.

Getting a Business Loan .6 CEUs; $19.95; Order No. 164-3.

Personal Financial Fitness .3 CEUs; $13.95; Order No. 205-4.

LEGAL ISSUES

Not knowing your legal rights and responsibilities can put you and your organization at risk. These courses explain what you need to know about sexual harassment, the ADA, OSHA, employee termination, and other important legal issues.

A Legal Guide for Small Business .6 CEUs; $19.95; Order No. 266-6.

Sexual Harassment: What You Need to Know .6 CEUs; $19.95; Order No. 312-3.

The Americans With Disabilities Act: Hiring, Accommodating and Supervising Employees with Disabilities .6 CEUs; $19.95; Order No. 311-5.

A Manager's Guide to OSHA .3 CEUs; $13.95; Order No. 180-5.

Rightful Termination: Avoiding Litigation .3 CEUs; $13.95; Order No. 248-8.

HUMAN RELATIONS AND COMMUNICATIONS

Building solid, healthy relationships with employees, customers and vendors is key to succeeding in business. Each course in this category provides practical techniques and concepts for establishing positive communications and achieving a productive work climate.

Human Relations in Small Business .6 CEUs; $19.95; Order No. 185-6.

Attacking Absenteeism .3 CEUs; $13.95; Order No. 42-6.

Quality Interviewing .3 CEUs; $13.95; Order No. 262-3.

Effective Performance Appraisals .3 CEUs; $13.95; Order No. 196-1.

Working Together: Succeeding in a Multicultural Organization .3 CEUs; $13.95; Order No. 292-5.

IMPROVING PRODUCTIVITY

Time management, organization, and a positive attitude are all part of being productive. Increase your productivity and profits by using the practical suggestions and proven techniques examined in these courses.

Avoiding Mistakes in Your Small Business .6 CEUs; $19.95; Order No. 173-2.

Personal Time Management .3 CEUs; $13.95; Order No. 264-X.

Organizing Your Workspace .3 CEUs; $13.95; Order No. 125-2.

Attitude .3 CEUs; $13.95; Order No. 317-4.

Better Business Writing .3 CEUs; $13.95; Order No. 25-4.

QUALITY AND CUSTOMER SERVICE

Customer service is the most important part of your business. Quality customer relations guarantees loyal customers, steady business, and a positive image. These courses will help you evaluate, measure, and improve your customer service to keep your business thriving.

Great Customer Service for Your Small Business .6 CEUs; $19.95; Order No. 364-6.

Telephone Skills From A to Z .3 CEUs; $13.95; Order No. 301-8.

Calming Upset Customers .3 CEUs; $13.95; Order No. 65-3.

Measuring Customer Satisfaction .3 CEUs; $13.95; Order No. 178-3.

Quality Customer Service .3 CEUs; $13.95; Order No. 203-8.

SUPERVISION/MANAGEMENT/LEADERSHIP

Teamwork, effective communication, and good management are essential tools for growing and maintaining a strong business. These courses give you the techniques, plans, and methods you need to build a winning team and a prosperous business.

Building Teams for Your Small Business .6 CEUs; $19.95; Order No. 365-4.

Rate Your Skills as a Manager .3 CEUs; $13.95; Order No. 101-5.

Managing Negative People .3 CEUs; $13.95; Order No. 306-9.

Project Management .3 CEUs; $13.95; Order No. 75-0.

Giving and Receiving Criticism .3 CEUs; $13.95; Order No.23-X.

To receive additional descriptions on the course materials above, call 800-851-8705, ext 600.

ENROLLMENT FORM

☑ YES. I want to enroll in the USCC Small Business Institute. Please send me the following course materials:

Course Title	Order No	Quantity	Unit Price	Total

Subtotal	
Less discount	
Total	
CA, WA, IL, DC Residents Sales Tax	
Shipping & Handling*	
TOTAL AMOUNT	

*Shipping: $3.50 for first book; 50¢ for each additional book. For 10 or more books, actual cost of shipping is charged.

Method of Payment:

☐ Check enclosed, made payable to USCC Small Business Institute

Charge my order to: ☐ MC ☐ Visa ☐ AmEx

Credit Card#_____

Exp. Date _____

Name (as it appears on card) _____

Signature_____

Ship to:

Name _____

Company_____

Street Address _____

City_____

State/Zip _____

Daytime Phone _____

To enroll, call toll-free 800-884-2880 or FAX your enrollment form to 415-323-5800.

USCC Small Business Institute
1200 Hamilton Court
Menlo Park, CA 94025

Make a copy of this enrollment form for your records.

SBI 600

Small Business Financial Adviser

Pick IRA beneficiaries carefully; last-minute tax strategies; new Savings Bond rates.

With Big IRAs, A Wrong Move Can Be Costly

By Mary Rowland

Over the past decade, individual retirement accounts (IRAs) have become the largest single asset of many affluent Americans. Yet because the rules for withdrawing IRA funds or for passing IRA accumulations to heirs are so murky, most people surrender too much of their IRAs to taxes.

"Retirement accounts represent 30 to 40 percent of the net worth of clients who are in their 60s," says Steven Lockwood, a pension attorney in New York. "If you project it out to their life expectancy of 15 or 20 years, it will be half their net worth." But Lockwood says he has seen withdrawals from IRAs shrunk drastically by taxes—one $2 million account was whittled down to $200,000.



To avoid paying too much tax on your retirement money, you must weigh a number of issues. They include choosing beneficiaries carefully, selecting the proper withdrawal method, and being aware of the tax on what the Internal Revenue Service considers excess distributions. These issues also apply to other retirement accounts, such as Keoghs and company pension plans.

Making Withdrawals

Because IRAs are designed for retirement income, the IRS imposes a 10 percent penalty on top of regular income taxes if you take money out of your IRA before you reach age 59½. From 59½ to 70½ you may withdraw money with no penalty and pay the usual income taxes. But those who can afford to do so delay their withdrawals to maximize tax-deferred savings growth.

By law, you must begin making at least minimal annual IRA withdrawals by April 1 of the year following the year you turn 70½. If you turned 70½ in 1995, you may delay the first withdrawal until April 1, 1996. But you must also make a second withdrawal by Dec. 31, 1996. Thereafter, each annual withdrawal must be made by the Dec. 31 deadline.

The mandatory April 1 starting date for withdrawals is important for another reason. Mistakes made in picking beneficiaries or selecting a withdrawal method cannot be fixed afterward.

Picking Beneficiaries

Most people designate a spouse, who has special rights, as an IRA beneficiary. A spouse who is under 59½ and wants to use the money can remain as a beneficiary and leave the account under the name of the deceased.

The 10 percent penalty that applies to money taken out of an IRA before age 59½ does not apply to beneficiaries. The spouse can ask the IRA trustee to pay the money out as a lifetime annuity, or the money can be taken out over the five years following the IRA owner's death.

The other option is for the spouse to convert the IRA to his or her own name. Then all IRA rules apply. The spouse/beneficiary can change the way the money is invested by picking, for example, different mutual funds. Money can be added. A new beneficiary can be named. But no money can be withdrawn until age 59½ without payment of the 10 percent penalty.

Advisers recommend that a surviving spouse who plans to use the money for retirement or who wants to pass it on to heirs is better off claiming the IRA as his or her own. To do that, the spouse need only write to the bank or mutual fund company trustee and claim the account.

People with significant assets may want to name children or grandchildren as beneficiaries for all or a portion of their IRA. An IRA can be an ideal way to pass money to the younger generation both because of its tax-deferred nature and because the money passes to the beneficiary outside a will, avoiding probate. But estate taxes still may come into play.

While assets left to a spouse, including an IRA, are exempt from estate taxes, there is a limit of $600,000 on what you can pass tax-free to other heirs, either as gifts during your lifetime or in your estate. Estate taxes start at 37 percent on the first dollar above $600,000 and go up to 55 percent on assets exceeding $3 million.

A special rule applies to assets passed to grandchildren. The total should not exceed $1 million. Assets above that amount will be subject to the generation-skipping transfer tax of 55 percent.

If you select more than one beneficiary, set up separate IRA accounts for each. "That way each child can use his or her own life expectancy" to calculate withdrawals, Lockwood says. "When you have multiple beneficiaries of one IRA, you have to use the life expectancy of the oldest beneficiary." In addition, dividing a large IRA allows each beneficiary to make independent decisions on how to invest the money and when to withdraw it.

Electing A Payout Method

Once you reach 70½, you must also make important choices about the way your IRA funds will be paid out. First, you must decide whether to take payouts based on single or joint life expectancy. Most people pick joint because it lowers the minimum annual payouts. Next,



CHARTS AND ILLUSTRATIONS: GEORGIA LOGOTHETIS

you must choose between two methods of withdrawal—fixed life expectancy or annual recalculation.

The "recalculation method" requires you to calculate a minimum withdrawal based on either personal life expectancy as determined by actuarial tables, or the joint life expectancy of yourself and your spouse as beneficiary. Each year the minimum distribution is recalculated. You can always withdraw more than the minimum.

Life expectancies in IRS actuarial tables decrease each year, but not by a full year. For example, a 70-year-old husband and a 67-year-old wife have a joint life expectancy of 22 years. A year later, their joint life expectancy would be 21.2 years.

Under the recalculation method, you and your spouse beneficiary would determine the account balance at the end of the year in which you turn 70½ and withdraw 1/22 by April of the following year. The next year, you would recalculate the balance and withdraw 1/21.2 of that.

The recalculation method means you never outlive your IRA. The major pitfall to this method is that when one spouse dies, subsequent annual distributions must be calculated based on the life expectancy of the remaining spouse only, which speeds up payouts.

The second option, fixed life expectancy, or "term certain" because the term of the payout is set at the start, is available only if you elect it, in writing, before April 1 of the year after you turn 70½.

Under term certain, the couple with a joint life expectancy of 22 years would lock in the 22 years, subtracting one year for each distribution. So they would take 1/22, 1/21, 1/20, and so on in distributions each year. When one spouse dies, the annual payout pattern continues.

Seymour Goldberg, a partner at the law firm of Goldberg & Ingber in Garden City, N.Y., and author of *A Professional's Guide to the IRA Distribution Rules*, says that term certain is always the best. Although the initial payouts are slightly larger, there is no risk of accelerating the payouts when one spouse dies.

Other experts are more equivocal. "I elect term certain with a large, seven-figure IRA balance," Lockwood says. "With a smaller balance, I might elect recalculation."

Regardless of the distribution method you pick, you can't take less than the minimum annual distribution without paying a penalty. The IRS imposes a 50 percent tax on the shortage amount. For example, if you should have withdrawn $50,000 and you took only $40,000, you owe a $5,000 penalty tax on the $10,000 shortfall.

Skipping A Generation

What happens to annual payouts if you pick a child or a grandchild as beneficiary? A child or grandchild can stretch the payout over a period of 50 years or more, depending on his or her age. Here's how that works.

While you are alive, the withdrawal schedule is based on the joint life expectancy of you and your beneficiary. Rather than use the actual joint life expectancy, the IRS calculates payouts based on a maximum age spread of 10 years.

For example, let's assume your granddaughter is the beneficiary. If you are 70 and your granddaughter is 10, your actual joint life expectancy is 71.8 years. But the IRS tables mandate that you use 26.2 years and therefore withdraw 1/26.2 of your account balance the first year after turning 70½.



However, when you die, your granddaughter may base future withdrawals on her own life expectancy. For example, if you die after making five annual withdrawals, your granddaughter, now 15, would be able to withdraw the remaining money over her own life expectancy of 71.7 years. But the IRA must remain in your name. Switching it to your granddaughter's name could trigger an immediate payout of the entire account.

Because this rule is so often misunderstood by advisers, it is worth making a note that the IRS approved it in private letter ruling 9330042, issued on May 7, 1993.

If you name a grandchild as beneficiary and you die before you reach 70½, your grandchild has two options, according to Don Roberts, an IRS spokesman. He or she can take all the money in the account by the end of the year following the fifth anniversary of your death—and pay the usual tax. Or your grandchild may begin taking annual distributions based on his or her life expectancy in the year following your death.

But to ensure that your grandchild has both options, you should spell them out in a letter to your IRA custodian. Otherwise, "the beneficiary will have to use the five-year [withdrawal] rule by default," Roberts says.

Minimizing Taxes

In their effort to delay paying income tax on retirement money, many taxpayers run into yet another problem: a 15 percent excise tax on what the IRS considers "excess distributions." The IRS permits retirement-fund payouts of $150,000 per year from all sources, including IRAs, Keoghs, profit-sharing plans, and defined-benefit plans, without penalty.

If you have a large IRA, be particularly careful in the year you begin mandatory withdrawals. For example, if you turn 70½ in 1995 and you take your first mandatory withdrawal of, say, $100,000 in 1996, you must make the second withdrawal the same year. Two payouts in one year totaling $200,000 would trigger the 15 percent excise tax on excess distributions.

People with substantial IRA balances should consider beginning to withdraw the money before age 70½. "If I have a client with $1.5 million or $2 million, then it makes sense to start at age 64, 65, or 66," Lockwood says. If you have too much money in your IRA when you die, your estate pays a 15 percent penalty tax on the excess amount. This is figured by calculating what it would take to fund an annual annuity of $150,000 and taxing the rest at 15 percent.

Which brings us back to estate taxes. Experts say that many people leave their IRA practically untouched during their lifetime, only to have their heirs lose it to estate taxes. "That's where the whole idea of deferring taxes can fall apart," Lockwood says. "All this strategizing makes no sense if your heirs can't afford to pay the estate tax."

Lockwood suggests doing projections to determine what the estate will be 15 to 20 years after retirement and making a plan that includes how taxes will be paid. ■

INTRODUCING A REVOLUTIONARY CORPORATE LIFE INSURANCE PRODUCT.

(WE USED TO THINK IT WAS AN OXYMORON, TOO.)



Okay, Executive Benefit Variable Universal Life℠ won't change the world. But change your world — that's another story. Because now, we're not only giving you the life insurance you may need to fund your executive benefit plan. We're giving you investment choices. You can put your insurance dollars in as many as 12 tax-deferred investment accounts. Plus, we offer flexible premiums based on your business' cash flow needs. All at an attractive price. For more information, including a prospectus, call your local Connecticut Mutual office or 1-800-811-1817. (Please read the prospectus carefully before investing.) And be part of history. Well, corporate life insurance history anyway.

CM Life
A Connecticut Mutual Company℠

Executive Benefit Variable Universal Life is issued by C.M. Life Insurance Company (not admitted in New York and Puerto Rico) and is distributed primarily by registered representatives of G.R. Phelps & Co., Inc., pursuant to an agreement with Connecticut Mutual Financial Services, LLC (CMFS), all subsidiaries of Connecticut Mutual Life Insurance Company, 140 Garden Street, Hartford, Connecticut 06154. CMFS, the principal underwriter, may appoint other broker/dealers to distribute these policies.

INVESTING

New Interest Rates For Savings Bonds

After 50 years of offering guaranteed minimum annual rates for Series EE Savings Bonds (the latest guaranteed rate, offered until last May 1, was 4 percent), the government has switched to a six-month, floating-rate system based on U.S. Treasury bill averages, with no minimum-rate guarantee. The new rates are subject to change every May and November.



The historic change came about in late 1994 when Congress, in shaping legislation to implement the latest multilateral pact under the General Agreement on Tariffs and Trade (GATT), opted for some complicated revenue-raising provisions to offset the cost of lowering U.S. tariffs.

The new rules, which went into effect May 1, provide some good news for investors who plan to keep their bonds for less than five years. A Series EE bond bought from May through October came with a 5.25 percent rate. The rate was changed Nov. 1 to 4.75 percent.

"It's like continuously rolling over a six-month CD [certificate of deposit]," says Dan Pederson, author of *U.S. Savings Bonds: A Comprehensive Guide for Bond Owners* (TBSI Publishing Co., $24.95).

But Savings Bonds have some significant features that CDs don't have. Earned interest is not taxed until the bond is cashed in, and it is subject only to federal tax, not state or local taxes. "Over time, this could add a point or so to your rate," Pederson says. (Interest received on conventional CDs, by contrast, is reported yearly as taxable earnings and is subject to state and local taxes.)

Also, EE Savings Bonds can be purchased in payroll-deduction plans for as little as $50 (for a bond with a $100 face value). CDs that can be converted to cash in six months usually require minimum deposits of $500 to $1,000. This is why an increasing number of small-business owners are providing Savings Bond payroll-deduction plans for their employees. The Bureau of the Public Debt, which administers the Savings Bond program for the Department of the Treasury, says firms with fewer than 100 employees now account for 17 percent of all payroll-deduction plans.

"Small businesses like the Savings Bond program because it's relatively easy to set up and really doesn't cost them anything," says Mark LaMere, vice president of National Bond and Trust Co., in Crown Point, Ind. NB&T sets up and services payroll-deduction plans for employers.

While many employees hold Savings Bonds for less than five years, a good number keep theirs for 10 years or longer. "For these longer-term investors," says Pederson, "the new rate system is not as good as it used to be."

Under the old rules, when you held your bonds for five years, you started getting a higher rate based on five-year Treasury securities. The rate hike was retroactive, boosting all past earnings to the higher level.

Under the new rules, this retroactive feature is out for bonds purchased since last May. If you hold your bonds for five years, you'll start getting the higher rate, but you won't get the retroactive rate bonus.

You can order Pederson's Savings Bond book, which answers the questions most employees ask, by calling The Savings Bond Informer at 1-800-927-1901.

You can get information on how to set up a Savings Bond payroll-deduction plan by calling National Bond and Trust at 1-800-426-9814.

—Peter Weaver

The author is a personal-finance writer in Bethesda, Md.

TAX PLANNING

Last-Minute Strategies To Reduce What You Owe

Although it's the 11th hour, there's still time to do some year-end tax planning. Almost all year-end strategies must be accomplished by Dec. 31, of course.

The first step is to estimate your taxable income for both 1995 and 1996. If the estimates are about the same for both years, you should be able to use the classic year-end strategy of deferring income and accelerating expenses.

For example, to defer income, a lawyer using the cash method of accounting can delay sending out November and December bills until the end of December, so that payments won't be received until 1996. Also, a manufacturer using the accrual method of accounting can delay deliveries or the completion of jobs until January, so that the income won't accrue until 1996.

Under the cash method, income is taxable when received, and expenses are deductible when paid. Under the accrual method, income is taxable when earned, and expenses are deductible when incurred.

Expenses can be accelerated by prepaying items, such as mortgage interest. Also, last-minute purchases of depreciable property can result in some significant tax savings.

For example, a business asset such as a computer that was bought in December would be considered for tax purposes as having been placed in service in the middle of the year, and the owner would be entitled to take half a year's depreciation on the firm's tax return. Moreover, up to $17,500 of the cost of computer equipment could be fully deducted in 1995 under a special rule for small businesses as long as it is purchased by Dec. 31.

There are also numerous tax-planning strategies for individuals. If you plan to sell appreciated stock, for instance, consider waiting until January. This way, you will defer the capital gain until 1996 and defer paying taxes owed on the gain until 1997.

One way for individuals to accelerate expenses is to pay the final state-tax estimate by the end of December. While this payment is generally due in January, paying it early provides a deduction for the 1995 tax return.

Also consider making gifts to your children or grandchildren before the end of the year in order to use your annual gift-tax exclusion, which is $10,000 for each recipient, or $20,000 if your spouse joins in the gift. (For more on the subject, see "Give Today, Or Pay Tomorrow," on Page 66 of the November issue.)

—Albert B. Ellentuck



The author is counsel to the Washington, D.C., law firm of King & Nordlinger.

IMAGINE HAVING A LEGION OF AGENTS REPRESENTING YOUR COMPANY AROUND THE WORLD 24 HOURS A DAY.

Throughout the world are scores of companies that want to do business with yours. They want to buy what you have to offer or supply for your needs. How do you find them, qualify them and negotiate terms and prices? The answer is IBEX. The International Business Exchange.



IBEX is an electronic network that gives companies the chance to meet and make deals. All you do is list some basic information about your company on your personal computer. And the products or services you want to buy or sell. IBEX immediately goes to work to find your new trading partners. And once we've found them, you can screen their offers, check their references and negotiate prices. All communications are completely secure and totally confidential. You can also tap into Dun & Bradstreet's database of 13 million firms to find even more qualified trading partners.

The possibilities are enormous, especially when you consider who is backing IBEX. Providing contacts is the U.S. Chamber of Commerce, with 215,000 direct members, 3,000 local chambers, 1,000 trade associations and 73 chambers abroad. AT&T provides global communications. Chase Manhattan Bank brings IBEX to the largest multinationals. Digital Equipment Corporation distributes the software and offers hardware solutions. Dun & Bradstreet makes credit and other information available to potential trading partners. GE Information Services provides global support. Software developer SHL Systemhouse oversees network operations. Simon and Schuster expands the IBEX marketing reach to millions of international firms. And Global Business Alliance manages IBEX worldwide. The entire alliance will be promoting IBEX across the globe.

At last, there's an electronic network that gets down to business. Call us at 1-800-537-IBEX. And let us show you how easy it is to turn your computer into a worldwide sales force.

IBEX

A SERVICE OF THE U.S. CHAMBER OF COMMERCE

INVESTING

Act Now To Minimize 1995 Investment Taxes

By Randy Myers

It's time to pay the piper. All year you've celebrated as the stock and bond markets posted big gains. Now Uncle Sam wants his cut—in the form of taxes on your share of those profits. Since successful investing is measured not only by how much you earn but also by how much you keep, follow this 10-step plan now, before year's end, to keep the tax bite as small as possible:

■ Determine the amount of any capital gains your mutual funds distributed to you—or will distribute to you by the end of this year—from the fund's sales of stocks, bonds, or other securities at a profit. If your fund company hasn't already mailed that information to you, call and ask for it.

■ Calculate, using the most effective cost basis, any capital gains or losses you've incurred by selling stocks, bonds, or mutual-fund shares directly. Your cost basis, in simple terms, is the price you paid for each stock, bond, or mutual-fund share.

But it's not so simple if you purchased, say, a total of 2,000 shares of stock at four different prices over a period of six months and since then have sold only 1,000 shares. In that case, the Internal Revenue Service gives you four ways to calculate your cost basis.

Unless you specify otherwise, the IRS assumes you use the first-in, first-out method; that is, the first shares you sell are the first shares you bought. That's not good for you if, in the example above, those were the shares you bought at the lowest price. In that case, you may want to average the cost of all your shares (the average-cost method, which has two variations), or designate specifically which shares you sold (the specific-identification method, which requires some advance planning). Your broker, fund company, or accountant should be able to help you with the details.

■ Remember to add to your cost basis the value of any dividends or capital gains reinvested into your account. Suppose you bought one share of a mutual fund for $10 and it paid a dividend of $1 that was automatically reinvested in your account. Your cost basis, should you decide to sell, would be $11, not $10.

■ Once you've calculated your complete capital-gains exposure, decide whether you can or want to offset any of those gains with capital losses. You can do that by selling securities that are worth less than what you paid for them. Think hard. If you've lost confidence in that stock that's down 25 percent, now is the ideal time to sell. If you still like its prospects, though, you might want to hold on and simply pay your tax bill.

If you must sell to offset a capital-gains tax bill you can't afford, sell now and try to buy the stock back after 30 days have passed—assuming it hasn't gone up much in price by then. If it hasn't, you'll only be out your trading costs. Just remember that if you buy the same security within 30 days of selling it, the IRS will consider it a wash transaction and won't let you record a capital loss.

Even if you have no capital gains, you can deduct up to $3,000 in capital losses from ordinary income this year.

■ Deduct any custodial or maintenance fees paid to a broker or financial institution in excess of 2 percent of your taxable income. Enter on the "Other Expenses" line of IRS Form 1040, Schedule A.

■ Take a dollar-for-dollar credit for taxes paid to foreign governments on dividends and interest paid out this year on foreign securities that you owned, either directly or in a mutual fund. Use IRS Form 1116.

■ Think about future tax implications if you restructure your mutual-fund portfolio for the year ahead. For example, the huge run-up in stock prices this year may have left you overweighted in U.S. equities. Before swapping assets out of your domestic stock fund into something else, find out whether the fund you're buying is about to make a capital-gains or dividend distribution. If so, you can avoid paying taxes on that distribution by waiting until after its record date. Call the fund company for the date if it's not listed in the prospectus.

Also, consider postponing until after Dec. 31 any transaction that would produce a short-term capital gain if you expect your overall income to decline in 1996, dropping you into a lower tax bracket. (See the accompanying chart.)

■ If you are in a high tax bracket, consider shifting more of your stock holdings into shares of growth companies that don't pay dividends. That way, more of your profits will come in the form of capital gains rather than dividend income. The tax rate on long-term capital gains (gains on securities held for more than 12 months) is capped at 28 percent and may soon go lower if some influential members of Congress have their way. By contrast, dividend income is taxed as ordinary income—at as much as 39.6 percent.

■ If you plan to make a charitable donation or fund a charitable remainder trust, be sure to do it by Dec. 31 if you want to claim your tax credit for 1995.

■ Finally, be prudent in deciding how strictly tax implications will rule your investment decisions for the year ahead. Clark Blackman, director of personal financial services for the accounting firm of Price Waterhouse LLP in Houston, notes that there's debate in Washington on many proposed changes to the tax code. "Now is as good a time as any," he says, "to focus on being diversified in your investments, on hedging your bets, and not being one-dimensional in your investment decision making." NB

How 1995 Income Will Be Taxed

Next to each tax rate is the threshold of taxable income above which the rate applies, according to filing status:

Rate	Married Filing Jointly	Single	Married Filing Separately	Head of Household
15%	$1	$1	$1	$1
28%	$39,000	$23,350	$19,500	$31,250
31%	$94,250	$56,550	$47,125	$80,750
36%	$143,600	$117,950	$71,800	$130,800
39.6%	$256,500	$256,500	$128,250	$256,500

SOURCE: PRICE WATERHOUSE LLP

A World Of Opportunity



Awaits

There is a world of opportunity waiting for you at Jani-King. Jani-King is the largest commercial cleaning franchisor in the world and is backed with twenty-five years of experience. Jani-King provides professional training, start-up contracts, equipment leasing, insurance and much more. Franchise opportunities range from $6,500 to $14,000 +, depending on area purchased. Call now and join the best in the business.

Jani-King

(800) 552-5264

© Jani-King International, Inc. 1994

Circle No. 8 on Reader Service Card

Little Caesars

GLOBAL FRANCHISE OPPORTUNITIES

Little Caesars now is offering exciting and versatile area development franchise opportunities. Join one of the most dynamic companies in the food industry.

Contact:
Little Caesars Franchise Sales-International
2211 Woodward Ave., Detroit, MI 48201-3400
Or fax (313) 983-6494



Some Select U.S. Markets Also Available.

Circle No. 19 on Reader Service Card

Earn The Living You've Dreamed Of... Right In Your Own Dream House!

Live in a stunning Eagle's Nest home with design features not found elsewhere at twice the price.

Models as low as $17 per sq. ft.



Earn $5,000 to $15,000 per home...
- Quality
- Design
- Keep Present Employment

All you need to get started is a $5,000 house deposit for your own business or private use.

For a FREE full color brochure:
Call Mr. Nations at 1-800-579-1079 (24 hrs.)
Fax: (770) 720-7605, or write:

Eagle's Nest Homes, Inc.
205 Eagles's Nest Drive
Canton, GA 30114-7972

Circle No. 31 on Reader Service Card

Earn $4,000 Per Month From Your Home With A Computer!

Begin part-time and still retain the security of your present position. This is a proven business an individual or couple can run. If you purchase our software and business program, you will receive the computer and printer at no extra cost. If you already own a computer, you may receive a discount. You do not need to own, or know how to run, a computer – we will provide free, home office training. Financing available.

Learn how other couples and individuals like yourself are building lifetime incomes!



To receive your free cassettes and color literature, call toll-free:

1-800 343-8014, ext. 2233

Or Write:

Computer Business Services, Inc.,
CBSI Plaza, Ste. 2233
Sheridan, Indiana 46069



Go with a Winner!

- Nation's Business Magazine
- U.S. Chamber of Commerce
- Connecticut Mutual Life Insurance Company

Awarded CBSI with the prestigious Blue Chip Enterprise Initiative Award for outstanding achievement!

Prestige Images

1-800-446-4403

Superior stitching of fine detail will enhance the image of your company logo. Quality and turnaround time are unmatched with our state of the art equipment and in-house design team. From caps to customized leathers, we can provide our full line of apparel to you for that unique gift or upcoming corporate event.



Call for our catalog

*Tee Shirts from $6.45
*Polo Shirts from $11.95
*Sweat Shirts from $12.25

*on quantities of 21 dozen. Price includes embroidery up to 5,000 stitches in seven colors.

Embroidery Means Prestige!

Circle No. 10 on Reader Service Card

Nation's Business Classified Ads

CLASSIFIED RATES AND INFORMATION

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) Fax: 202-463-3102 or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	2x	3x	6x	12x	— frequency
$69	$65	$60	$53	$38	— line rate
$960	$900	$835	$730	$510	— per inch display

Ad minimums: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad),
Nation's Business Classified,
PO Box 1200, Washington, DC 20013.

AUTOMOTIVE

CORVETTES '53-'93. Well over 100 in one location. Free Catalog. ProTeam, Box 606, Napoleon, OH 43545. Ph. 419-592-5086 FAX: 419-592-4242. Corvettes Wanted.

BUILDINGS

STEEL BUILDINGS: From HERITAGE, delivered to your jobsite ready to bolt together. 5000 sizes, build it yourself and SAVE. Call with your building size. 1-800-643-5555. Heritage Building Systems, POB 470, N. Little Rock, AR 72115-0470.

FACTORY DIRECT. TOP QUALITY. STEEL BUILDINGS & SAVE. COMMERCIAL, FARM ETC., EASY CONSTRUCTION, COMPUTER DESIGNED, GUARANTEED. FOR QUOTE - 1-800-494-2323.



BUSINESS FINANCING

BUSINESS FINANCING...
is hard to obtain unless you have the right plan! Get your loan approved with *LenderPro*™ – The software system that performs the analysis investors want to see. Creates a professional package that helps lenders say "YES!" to your proposal.
Risk-Free Trial -- Free Support
MoneySoft™ 800-966-7797

BUSINESS FINANCING

FINANCIAL CORPORATION EXPANDING NATIONWIDE-BRANCH opportunity. Experience unnecessary. Mortgage Brokerage, Property Acquisitions. Representatives needed. 1-800-989-0151.

ACCOUNTS RECEIVABLE FINANCING to $2,000,000. Direct lender with offices nationwide. Call AeroFund Financial. Approvals by phone. 1-800-747-4AFI(4234).

BILLIONS OF DOLLARS AVAILABLE!
FREE GOVERNMENT GRANTS, LOANS AND MORE
CALL (24 HRS): 1-(619) 599-3502.

LOOKING FOR INVESTORS? TCN introduces accredited investors to entrepreneurs based on mutual business interests. The Capital Network. 512-305-0826.

PRIVATE MONEY.
Real Estate or other fixed assets. One week closings. $250,000 to $10,000,000 and up. Nationwide. Call Mr. Murray: 302-996-5807.

EQUIPMENT FINANCING * PHONE-A-LEASE * $5-$75,000 * NO FINANCIALS REQUIRED * PHONES/COMPUTERS/ VOICE MAIL/FURNITURE * ADIRONDACK LEASING * 800-678-7342.

BANKER BLOWOFF?

Tired of getting the runaround from bankers who aren't really lending? New database lists 1,000's of alternative lenders and investors who are **aggressively** financing higher risk business ventures.
FREE info FAXed, call **800-580-1188**.

BUSINESS OPPORTUNITIES

ACQUIRE MY LIFETIME SELLING SECRETS. 1-900-226-SELL $9.95 for each week's new selling secret. 18+. Business Secrets Limited, Scottsdale, AZ 1-602-617-0069.

CONSULTANTS. Conduct popular professional seminars. Natl. Qualification Training. Free info. Clarison Learning/ Performax Field Mgr. Iris Randall 1-800-945-9140 NYC.

JOIN THE HOMETEAM! Home inspections are booming. Join one of the fastest growing franchises in the industry. Low investitraining provided. 800-598-5297.

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. J155C, Woodland Hills, California 91367.

LET THE GOVERNMENT FINANCE your small business. Grants/loans to $800,000.00. Free recorded message: 707-449-6600.(H52)

FREE REPORT!!! Cash in on the Information Superhighway! Call our 24-hour hotline at (407) 245-9176.

I make extra $375 weekly (spare/time) with my workbench. You can too! Free Report tells how: OwenPub/NB, Battle Ground, Washington 98604-0010.

MAKE YOUR DREAM COME TRUE. EARN $75,000 YEARLY REPAIRING, NOT REPLACING, Small Cracks in Windshields. TOLL FREE 1-800-626-6523 (US/Canada) or write: GLASS MECHANIX, 4555 NW 103 Ave. Ft. Lauderdale, FL 33351.

Find Lost Money in Dumpsters!

Join us and make big money finding huge overcharges in the growing **solid waste disposal bills** of companies across the U.S. Our team of 10-year experts provide 2 days of hands on training, marketing materials, software, and 2 years support. Only $1995!
Call now for free info kit! 1-800-650-5225

BUSINESS OPPORTUNITIES

RELOCATABLE BUSINESSES
Acquire established, going businesses you can relocate to your area. Mail order, publishing, distribution, other movable businesses that are for sale. For a free sample, detailed report on three businesses in the Relocatable Business newsletter, write Business Listing Service, Box 1248-NB, Highland Park, IL 60035, or call (800) 448-8567.

BUSINESS & COMMERCIAL LOAN ARRANGED. 50,000 up. Write Dozer 1305 Kramaria Street, Suite 162NB, Denver CO 80220.

EMPIRE BUSINESS BROKERS, expanding, sell existing businesses/franchises/loans. Currently 45 offices strong. Potentially earn $100K. $900 needed, full training. 716-677-5229.

THE CHINA CONNECTION: Does your company require 'immediate & direct' factory prices from CHINA P.R.C.? All types products/raw materials. Details FAX 305-751-1937.

CAPITALIZE ON CRIME! Earn amazing profits on full line of crime prevention products that sell like crazy! Free wholesale catalog. 800-735-1797, POB 10154, #NB, Yakima, WA 98909.

MONEY MAKING MACHINE! Curbmate machine installs beautiful concrete lawn edging. Customers love this new product. Amazing profits from this simple cash business. 801-262-7509.

You can have it all! Enjoy career, family and excellent income potential with a Watkins home-based business! For free information call Independent Director E.F.M. 1-800-659-5940.

DISTRIBUTORS NEEDED For Hair Products. Sold only in beauty salons. Used to manage thinning hair. Extraordinary product that sells itself. Earn up to $12,000 per month. 410-997-9660.

INTERNATIONAL PARTNERS: I run my Int'l bus. from my ocean view home, have time freedom and earn more than many CEO's. Expanding U.S./Worldwide. (714) 455-3504 24hr. msg.

FREE FREE FREE
MAKE OVER $100,000 a year in network marketing. Amazing 10 Step Fact Filled Report shows you how GUARANTEED! CALL NOW: 1-800-656-6397, Ext. 70.

FREE REPORT! DISCOVER MLM INSIDE SECRETS! Earn residual income! Upline system, The Powerful K.I.S.S.™! Results for newcomers, part-timers! Call 800-803-4151 24hrs.

MAKE MONEY WITH FOREIGN INVESTORS. Top finder's fees paid. Dept. 1295nb1. THE GLOBAL EXCHANGE. 419 N. Newport Blvd., Ste. B., Newport Beach, CA 92663-4271. (714) 722-9260.

#1 MONEY MAKER Spare Time! No selling! No inventory! Publicity documented seven week $19,919 income! Free audio cassette and Report reveal everything. Real Money, 333-NBC5 SW 5th Street, Grants Pass, OR 97526.

MEDICAL BILLING Start your own business. Process health insurance claims electronically. No experience required. Excellent income potential. Investment $3495 - $7995 Financing available. NCS 800/207-3711 ext. 370.

DUST OFF YOUR DREAMS! Make a positive change in your Life and in the World. I want to tell you more about becoming involved in 1996's MOST EXCITING OPPORTUNITY. Call 1-800-596-2130.

"$333.00 MAILBOX CASH EVERYDAY!" Legal, ethical, exciting, fun! No MLM, chains, pyramids or nonsense! 34 year track record! Buy nothing else! Internationally, millions paid $17.00 - you pay only $5.00! (No checks). DAX Personal Success™, Dept. 446532, Williamston, MI 48895-0014.

THOUSANDS OF BUSINESSES
1995 Franchise Annual Directory describes over 5,300 franchisors. Explains how to investigate. 548 new listings! 'When you buy a franchise, you buy risk-reduction.' $39.95 inclusive. Money Back Guarantee. INFO FRANCHISE NEWS, 728A Center St., Lewiston, NY 14092. VISA/MC. 716-754-4669.

BUSINESS SERVICES

NATIONAL TELEVISION MARKETING
Market your product or service on TV. Affordable Turn-Key or Joint-Venture Options. 800-215-9987.

WHAT YOU MUST DO TO MAKE A PROFIT AND KEEP A PROFIT WITH TECHNOLOGY. CALL 216-622-6314 FOR MORE INFORMATION ON OUR SERVICES.

YOUR COMPANY LOGO IN BRASS
Impressive wall logos of brass, chrome, or other cost effective finishes. Free estimates. METAL LOGOS, INC. 800-846-LOGO(5646) Fax: 402-339-2311

Increase Sales, Improve Presentations & Seminars with portable projection units. Display your computer screen up to 100 inches in full color. Save up to 50% on Fuji, Sharp, Sony & others. Call Multimedia Clearance at 205-680-5110.

PROBLEM?
WORKER'S COMP

MID ATLANTIC CONSULTANTS, INC.

Introducing a Unique Solution for Worker's Compensation for Large and Small Companies. Offices Coast to Coast.

Call for Free Information:
(214)259-1022 FAX (214)259-2214

BUY IT WHOLESALE

WHOLESALE SOURCES-Direct Factory Suppliers. 29,430 American, Mexican, & Oriental products. All types, no retail. Write: Cheldco-NB5C, 668 Main St., Wilmington, MA 01887.

CALL CARDS/LONG DISTANCE

13¢MIN. OR LESS LONG DISTANCE COAST TO COAST. Call Cards, No Fees, Intl. None Better/Proven Reliable. Fiber/Optic/Digital. GOOD DEAL. Check it out.1-800-504-4348.

Lowest Rates in USA for Domestic, 800 and International Service. No Minimum. No Access Codes. Digital Fiber Optic Network. Details 800-286-6115.

CARPET

CARPET-VINYL-HARDWOOD-BRAIDED & CUSTOM RUGS-ORIENTALS. Mill-direct. Look No Further. Guar.Lowest Prices. Warranties. Free Quotes/samples! 800-548-5815. Dalton, GA.

CARPET--Save up to 50% & more on major brands. We also manufacture our own beautiful styles. For information & samples, call 1-800-848-7747, Ext. 45. Dalton, Georgia.

ABC Fiber Products-Carpet, Rugs, Vinyl. Major brands. Save 30-60%. For home, office or church. Shipped direct to your door. 1-800-275-0816. Ext. 101.

Reach more than 850,000 subcribers with your ad in Nation's Business Classifieds

Call 1-800-424-6746 for more information

CREDIT CARD PROCESSING

BOOM SALES NOW! ACCEPT CREDIT CARDS + Checks By Phone-CARDSERVICE Agent of Humboldt Bank, Eureka Ca., Redding Bank, Redding Ca., Tehama County Bank, Red Bluff Ca. all FDIC Insured. 1-800-610-LEAD (5323) P.S. We're hiring Reps too!

EDUCATION

BBA, MBA, JD, LLM, New Equivalency Certificate
City University
800-262-8388/213-382-3801 External Degrees

PARALEGAL GRADED CURRICULUM. Approved home study. Most affordable & comprehensive. 100 yrs. of legal training. FREE CATALOG. 1-800-826-9238. BLACKSTONE SCHOOL OF LAW, PO Box 701449, Dept. NEI, Dallas, TX 75370.

BACHELORS-MASTERS-DOCTORATE
Home study degree programs. Tailored to your professional needs. Life/Work experience credit. UNIVERSITY OF MID-AMERICA 532 First Ave., P.O. Box 38 Council Bluffs, IA 51502, 712-323-9647.

UNIVERSITY DEGREES. No Classroom Attendance. Superior Quality Programs. Widely recognized and accepted. Personalized Individual Attention. Previous schooling and experience may qualify you for minimum study requirements. Same day response. CALL 1-800-433-5923 or Fax your resume, 1-504-468-3213.
SOUTHWEST UNIVERSITY
2200 Veterans Boulevard, Kenner, Louisiana 70062

NO-CLASSROOM COLLEGE DEGREES!

Earn your undergraduate college degree in Business, Liberal Arts or Nursing from your choice of accredited universities. Pass proficiency exams with confidence and ease using Moore's guaranteed materials and successfully refined study program.

CALL NOW FOR MORE INFORMATION!

2340 Franklin Road, Nashville, TN 37204-3744
615/383-5433 • FAX 615/383-6999
1-800-737-2222 Moore Educational Publishers

EMPLOYMENT

DIRECTOR-COMM'L TRANSLATIONS & ASSESSMENT to direct & engage in translation (Eng/Portuguese), assessmt, preparation & review of comm'l docs & regs to insure compliance w/US & Brazil import/export regmts. Liaison for language communications between co. & Brazil, gov't & clients. Assist in contract neg.s us'g lang. skills & knowl. of co. products (semiconductors & electronics equip'mt export). Requires Bachelor's in Translation & Interpretation, 2 yrs exp in job offered or 2 yrs exp as bilingual (Eng/Port) Administrative Asst. in electronic import/export industry. Fluent Eng/Port, 35 hrs, $480/wk. Job located in Miami, FL. Send resume to Job Service of FL, 2810 Sharer Rd., Suite 308, Tallahassee, FL 32312. Ref: Job Order #FL-1328473.

FRANCHISE OPPORTUNITIES/SERVICES

FRANCHISE YOUR BUSINESS
With the leading consulting firm in the country.
McGROW CONSULTING (800) 358-8011.

Franchise your business!

Call for information about "Franchise Your Business" seminars or information on franchising.

francorp Specialists in Franchise Development
1-800-FRANCHISE (1-800-372-6244)

HEALTH CARE

IMPOTENCE
POS-T-VAC is the best solution. For complete information, call 1-800-279-7434 or write to POS-T-VAC, P.O. Box 1436INR, Dodge City, KS 67801. By prescription only. Medicare Assignment Accepted.

INTERNATIONAL LONG DISTANCE

LONG DISTANCE CALLING
Intl. & Domestic - Call Cards - Follow Me 800 - Callback - 800#s - No Fees. Call 904-446-5000 or Fax 904-446-1201.

INTERNET

Get Netscape® Navigator™ with Eudora® Light plus two months unlimited Internet access from The Concentric Network--all for only $1. Simply join PrimeLife --the association for the 40+ generation. In addition to this great Internet value, when you join PrimeLife you get discounts on hotels, restaurants, airlines, vacations, travel, stock brokerage, and much, much, more. Special PrimeLife membership offer with this ad--extra half year with a $9.95 one-year membership; an extra full year with a $24.95 three-year membership.
Call 1-800-AT-PRIME (1-800-287-7463) today!!

INVENTIONS

FREE INVENTION PACKAGE. Davison & Associates offers customized Development, Patenting & Licensing of new products & ideas. Proven Results: 1-800-677-6382.

LEGAL SERVICES

TRADEMARK SEARCHES $100. Application Preparation $250. Located 30 minutes from US Patent & Trademark Office. Attorney Jay Horowitz (800) 304-6266.

ON YOUR MARK will register your trademark for a reasonable fixed fee. For free package, call 1-800-715-MARK or write: Cherie Radcliff-Morfe, Esq., 9715 W. Broward Blvd., Ste. 301, Ft. Lauderdale, FL 33324.

PATENT & TRADEMARK ATTORNEY in Boulder, CO provides quality patent & trademark services for individuals & companies nationwide via mail at affordable fixed fees.John Flanagan: 303 449-0884/Fax 303-449-3532 for free info about services.

MAIL ORDER

MILLIONAIRE Mailorder Expert Reveals Money-Making Secrets! Free, exciting hour cassette. Melvan Powers, 12015 Sherman Rd. No. Hollywood, CA 91605. (818) 765-8618.

MARKETING

TRIPLE YOUR SALES IN 30 DAYS
Simple, Inexpensive, Guaranteed. For A FREE profit building report call now 513-326-1996.

MAILING LISTS

BUSINESS/CONSUMER Lists! Fresh, responsive names. Select locally, nationally from 14 million businesses, professionals, 100 million consumers. Specialty lists, phones, & many formats of computer disks available. AMEX/MC/VISA. AccuData: (800) 732-8340.

STOCKS/INVESTMENTS

240% RETURN
FREE TRADING SIGNAL CURRENCIES-BOND-S & P
CALL 800-708-0780

TRAVEL

LONDON FLATS
HOLIDAY-BUSINESS TRAVEL
THE LONDON CONNECTION
801-393-8120 / FAX: 801-393-3024

WATCHES

REPLICA SWISS WATCHES
18K Goldplated! Lowest Prices! 2Y Warranty
Waterproof! PH: (770) 682-0609 FX: (770) 682-1710



Timely Reminder

Special Sampler Offer—Just $19.50.
For *our deluxe* logo watch. Never-fade guarantee. *Lifetime warranty.* Specify man's or woman's size. Send your color logo on stationery or business card and $19.50 *per* watch (plus sales tax in CA only). Limit: 5 per customer. Order now.

GREAT American IMAGES
One Waters Park Drive Suite 213-NB San Mateo, CA 94403 Tel: 415-358-0800 Fax: 415-358-0543

Where I Stand



On Labor Issues

Background: Organized labor, traditionally a strong Democratic ally, is now on the defensive with a Republican-controlled Congress. As labor's ranks have thinned in recent years, some of the biggest unions have merged, and a period of stepped-up union activism and organizing efforts is expected under the AFL-CIO's new leaders. These questions seek your views on labor issues in your business.

Results of this poll will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers and fax this page to (202) 463-5636.

1 **Which of the following best describes the state of labor-management relations in your firm?**

1. No union, and relations are good
2. No union; problems are handled by managers and affected employees
3. Union rejected in the past three years
4. No union, but expect organizing activity and vote within a year
5. Traditional union-management relationship, and relations are good
6. Relations with union are poor; a strike could occur

2 **How much do you rely on employees, union or nonunion, to make suggestions about workplace issues, such as safety concerns, benefits, or general conditions?**

1. Don't consult employees
2. Listen to employees' concerns but don't involve them in decisions
3. Include employees or representatives closely in making recommendations or decisions

3 **How much do you rely on employees, union or nonunion, to make suggestions about the design or content of your firm's products or services?**

1. Don't consult employees
2. Listen to employees' ideas and suggestions but make own decisions
3. Ask employees to help design products and services based on their expertise and experience
4. Let employees make own decisions on some products, services, or processes

4 **What is the likelihood that unions will want to organize your employees?**

1. Already have a union
2. Believe company is probable target for union organizing
3. Don't believe company is a union target
4. Unlikely; employees have already turned down a union

5 **Some unions are engaging in what is known as a "corporate campaign" against firms during contract talks or in organizing efforts. Which one of the following activities, if any, has been the biggest problem for you?**

1. Pressure on customers or suppliers
2. Harassment of executives or directors
3. Suspiciously timed complaints to regulators
4. Union-inspired shareholder resolutions on labor issues
5. Other unconventional union tactics
6. No problems of this nature

6 **Which proposed action by Congress is most important to you?**

1. Repeal of Davis-Bacon (prevailing-wages) Act
2. Repeal of minimum-wage law
3. Allowing management-employee teams to deal with worker issues
4. Permitting replacement of striking workers
5. Comprehensive labor-law reform

Send Your Response Today!

POLL RESULTS

Readers' Views On Health Care

Finding affordable coverage is a top health-insurance concern for small firms, say most respondents to the *Nation's Business* October Where I Stand poll. Here are the results:

HEALTH CARE

What do you see as the major problem that small businesses face regarding health insurance for their workers?

Obtaining insurance at affordable prices	78%
Significant premium increases once someone becomes seriously ill	11
Cancellation of policies on grounds that claims are too high	3
Meeting state mandates that specify conditions and illnesses that must be covered	8

What insurance reform would be most helpful to small firms?

Requiring states to allow voluntary alliances or other pooling arrangements to obtain lower premiums	46%
Limiting premium variations after someone becomes seriously ill	14
Prohibiting insurers from canceling policies except when premiums are not paid	18
Letting employees take insurance with them from job to job	22

The "portability" feature in some reform proposals would let workers who change jobs retain their coverage without penalty for pre-existing medical conditions. How has lack of portability affected your firm?

Can't hire new employees because of little turnover	6%
Attractive prospects are reluctant to leave their current jobs	22
No impact	72

One proposed health-care reform would let employees build IRA-like medical savings accounts that could be used to pay medical bills until high-deductible "catastrophic" insurance kicks in. How do you view this proposal?

Like the idea and would contribute to employee accounts	40%
Like the idea but would not contribute to employee accounts	31
Dislike the idea; prefer more-traditional insurance plans	29

Medicare will run out of money in seven years, say the system's trustees. Which of the following reform options do you most prefer?

Increase payroll tax (which pays hospital bills) and premiums (which help pay doctor bills)	4%
Reduce payments to doctors and hospitals	26
Require beneficiaries to make larger co-payments	18
Raise eligibility age above 65	8
Offer financial incentives to beneficiaries to select lower-cost coverage, including HMOs or other managed-care plans	44

Should Medicare be "means-tested" so that funds would be directed to low-income retirees who have no other way to pay doctor and hospital costs?

Yes	25%	Yes, but only if everyone would have a minimum level of benefits	50%
No	25		

ADVERTISERS

Send For Free Information

The following advertisers would like to send you free information about the products and services advertised in this month's Nation's Business.

22	Charles Schwab & Co., Inc.
6	Dale Carnegie & Associates
31	Eagle's Nest Homes
13	Executive Seminars in Sound
44	Family Business Audio Program
7	Hammermill Paper
8	Jani-King International
19	Little Caesars
3	Mica Accounting Software
10	Prestige Images
30	Ryder Truck Rental
4	So. Central Bell Small Business Services
5	Southern Bell Small Business Services
11	United States Postal Service

Please circle your selections.

Fill out this coupon if you fax your response.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ ZIP _____

Mail to: Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000 • **FAX to:** 202/463-5636

Free-Spirited Enterprise

By Michael Barrier

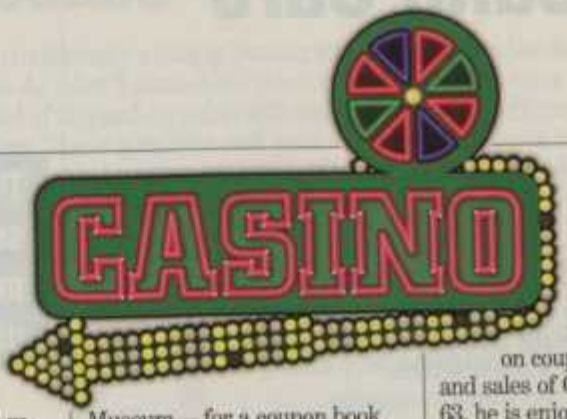
Las Vegas For The Home

A.P. "Pete" DuBarry Jr. deals in "secondary fiber"—that's the entrepreneurially correct name for what used to be known as wastepaper. Through his three-person company, DuBarry International, in Encino, Calif., he buys wastepaper in the United States and exports it to Latin America and the Far East. These days, his business is an awfully good one to be in, as you must have noticed from all the shadowy figures scurrying away with the old newspapers you put by the curb for recycling.

DuBarry's real passion lies elsewhere, though—in games. Not in playing them or collecting them, but in making them. He does that through his other company, which he calls The Learning Experience.

None of DuBarry's games has yet muscled Parker Bros. or Milton Bradley off any retail shelves, but he is no dilettante in the field. One national retail chain carries one of his games in about 50 of its stores, he says, and another chain is looking at it. And—the ultimate accolade, in this case—"we're in all the major casino gift shops."

That game in the stores is called Casino Royale, and the idea is, as an advertising flier says, to bring "the fun and excitement of Las Vegas into the home." For anyone who has been to Las Vegas recently, that may be a disquieting prospect—who wants an artificial volcano belching all over the living room rug?—but DuBarry actually has something milder in mind.



Casino Royale has some Monopoly in its genes, DuBarry acknowledges, but "only in that you have squares in the perimeter of the board and property that can be acquired by the player. After that, it really changes completely, because the central theme is to be involved in different types of gaming activities."

In other words, when family members sit down to play Casino Royale, they have the chance to—quoting the flier again—"engage in roulette, poker, and craps while winding their way around the board." The properties they can buy are not Park Place or Boardwalk, but casinos such as Harrah's and the MGM Grand.



Those famous hotel and casino logos around the edge of the board—23 of them in all—are a large part of what gives Casino Royale its cachet. DuBarry didn't have any special entree to the people who could let him use those logos. He spends a lot of time in Vegas, but he says he's not much of a gambler; he just likes the place. He was at one of the casinos about 3½ years ago, he says, "relaxing and having a nice glass of wine," when he realized that there had never been a Las Vegas game. So, "I pulled out a napkin and started making drawings of how the board would look."

DuBarry sent faxes to a number of casinos, inviting them to participate, and got replies from about half. "The thing that I thought couldn't happen, did happen," he says. "They loved the idea." He signed up not just casinos but other Las Vegas businesses—restaurants, a rental-car agency, the Liberace Museum—for a coupon book that comes with each game.

DuBarry puts the value of the coupons at more than $200, and he says that at first they were *too* attractive: When stores in Las Vegas began selling Casino Royale—typically priced at $24.95—"and people found out that every copy of the game contained the coupon book, people were opening the boxes and taking out the coupon book, then putting the box back on the shelf." Now, buyers of the game have to request the coupon book by mail.



Casino Royale has been successful enough that "several casinos have approached us" about producing games devoted just to them, DuBarry says, "and we're looking into that."

For now, though, he is concentrating on another casino-based game, 21 or Bust, which he designed originally to be given away by businesses—it's much smaller than the bulky Casino Royale—but which he is also selling through casino gift shops.

The perfect corporate customers for his new game, he thinks, "are banks and insurance companies that say, 'Come open a new account and we'll give you a copy of 21 or Bust with this fabulous Las Vegas coupon book.' And since one out of 10 Americans are going to Las Vegas anyway, the odds are that you're going to hit somebody who's interested in going to Las Vegas."

DuBarry estimates that he now spends more than half his time in Vegas, checking on coupon redemptions and sales of Casino Royale. At 63, he is enjoying his modest success as a producer of games, but he admits that he finds that success bittersweet, because, at bottom, he would rather be making games of a different kind.

"I worked my way through college" as a student teacher, he recalls, "and I guess I've had a little of that in my blood ever since. When I decided to do some games, I wanted to do something that was educational. That's why the company was called The Learning Experience, and the initial games we produced were educational."

Starting about 10 years ago, he came up with products including Famous Dead Dudes, a set of trading cards with portraits and biographies of such "dudes" as Alexander Hamilton and George Armstrong Custer. He encountered "tremendous marketing resistance," though, so he decided to step away from educational games "and concentrate on something else." That's how Casino Royale came to be.

Now, DuBarry laments, "I've had more success with that game than with any of the educational games—and that's a crying shame. They'll buy the gambling game, but they won't buy the educational games."

If you'd like to know more about DuBarry's educational games—or his Las Vegas games—you can reach The Learning Experience at (818) 990-4190.



ILLUSTRATIONS MICHAEL WICK

Nation's Business

ORDER NOW! CALL TOLL-FREE 1-800-429-7107

TOP-RATED BUSINESS PRODUCTS!

Nation's Business readers have selected their TOP 10 business products in the only way that counts... with their wallets! Through their purchases they've told us that these courses, documents, and strategies have helped them save time, generate income, and foster better customer and employee relations. In general, they've said that many of the products on the following pages have helped their businesses grow and prosper.

Listed below are the TOP 10 to serve as a guide for your own purchases. And we've introduced 12 new products to our regular offerings, three of which are featured on this page. Remember that every product shown in the grouping has undergone rigorous screening before it appears in Nation's Business. Remember, too, that every product we offer carries our 30-DAY SATISFACTION GUARANTEED pledge: If for any reason you decide to return a product within 30 days of receipt, you'll receive a complete refund or cancellation of your credit card charge. Order your examination copies today!

TOP 10

HONOR ROLL

Sales LetterWorks
(customizable, ready-to-use sales letters)

BizPlan*Builder*
(business plan development)

The Power of Customer Service
(enhanced customer satisfaction)

Up Your Cash Flow
(cash needs fulfillment)

38 Proven Ways to Close That Sale
(sales solutions)

50 Ways to Keep Your Customers
(customer retention)

Legal LetterWorks
(customizable forms, contracts, agreements)

Business LetterWorks
(customizable letters for every occasion)

Personnel ReadyWorks
(human resource management forms)

Publicity*Builder*
(free publicity generation)

Full descriptions inside. Order now!

NEW!

Publish your own manual and protect your company.

EMPLOYEE MANUAL *MAKER*



Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 400-page reference guide. Regularly priced: $139.00
Your price:
$99.00 plus $6 s/h

Stop problems before they occur by creating a company-specific manual that details your policies, procedures, and benefits. With over 140 ready-to-customize documents to choose from, you'll not only satisfy legal requirements when you give each employee a manual, you'll have better informed (and happier) employees and managers... and that means a smooth-running business. This is a *must* for anyone with five or more employees.

NEW!

Software that helps you locate lending sources.

FINANCING SOURCES DATABANK



Computer disk (DOS 5-1/4, 3-1/2) for 3.3 or later, 5.5 MB, 640K RAM
$139.00
plus $6.00 s/h

Take the guesswork (and the agony) out of borrowing by matching your needs with firms who *want* to lend you money or invest in your company. Simply type in your industry, location, and the amount and type of capital required, and within five minutes you'll have a list of venture capital firms, small business investment companies, commercial banks, equipment lessors, factoring firms, and asset-based lenders who are looking for companies just like yours! Don't ever be put off by a local bank again.

NEW!

Better employee evaluations... delivered in half the time.

EMPLOYEE APPRAISER



Computer disk (WINDOWS 3-1/2) with over 400 writing samples. Regularly priced $129.00
Your Price:
$99.95 plus $6 s/h

Avoid common performance appraisal mistakes that can get you into legal difficulty... and ruffle employee feathers. Developed by labor law experts, this computer-based program checks your documents for inappropriate language and not only offers advice on how to correct it, but gives you access to hundreds of professionally written phrases and paragraphs that can be personalized for your needs. You and your supervisors will cut review writing time in half!



Expert advice and forms for starting and running a consulting business.

CONSULTING READYWORKS

Start generating income from the moment you start your business. 150 forms that help you calculate fees, send winning proposals, write your own brochures and sales letters, create contracts, and more. This program also explains what to do about slow-paying clients, how to dramatically increase business from existing clients, and how to get free publicity.

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 300-page book (150 documents)

$119.95 plus $6 s/h



165 legal forms and agreements

LEGAL LETTERWORKS

Count the times you've needed a legal form: partnership or corporation papers, brokerage agreement, real-estate lease, contract for sale of goods, a will. Now you can save money on legal fees and avoid time-consuming deal-killing delays. Just call up the form you want, fill in the blanks as directed, and print a completed form.

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 452-page book (165 legal forms)

$79.95 plus $6 s/h



160 forms and documents for every phase of personnel management.

PERSONNEL READYWORKS

Effectively handle many of the most sensitive areas of management: hiring and discipline, health and safety, government regulations, and more. Avoid costly problems and possible lawsuits with customizable forms that cover company policy, benefits, record-keeping, performance appraisals, terminations, confidentiality, and illness.

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 370-page book (160 forms)

$119.95 plus $6 s/h



308 expert letters that generate sales and profits.

SALES LETTERWORKS

No matter what your business is or whom you're trying to convince, you'll find the *perfect* letter for virtually every selling situation. Call up customizable letters that cover every aspect of selling: creating repeat business, opening doors, dealing with customers, responding to objections, collecting money.

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 372-page book (308 letters)

$79.95 plus $6 s/h



400 professionally written letters for all areas of your business.

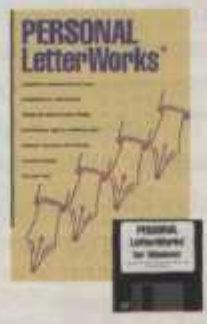
BUSINESS LETTERWORKS*

If you've ever had to apologize for an employee's rudeness, make an inquiry to a venture capital firm, collect an unpaid debt, or any number of everyday situations, then this software will simplify your life. Call up letters covering advertising, suppliers, internal communications...every possible business situation.

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 470-page book (400 letters)

$79.95 plus $6 s/h

*Formerly LetterWorks



400 customizable letters for your business and personal life.

PERSONAL LETTERWORKS

Be prepared for every imaginable situation, ranging from touchy, feelings-oriented issues to hard-nosed "this-is-the-way-it's-going-to-be" challenges. Never struggle again with a sympathy note to a colleague or friend, or a hard-to-resolve dispute with an uncaring banker or vendor, or how to say "Thank you," or "I appreciate you."

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 470-page book (400 letters)

$79.95 plus $6 s/h

SELLING SKILLS ON VIDEO



4-volume video set. VHS only. Running time 3 hours, 58 minutes. Includes 32-page workbook.

$179.95 plus $6 s/h

See things from the customer's point of view and increase sales.

HOW BUYERS LIKE TO BE SOLD

A remarkable video course that helps you get inside your customers' heads! Learn exactly what they're thinking, and how you can create sales techniques and strategies they won't be able to resist. Discover what gets a buyer's attention, what turns him off, what makes her say YES! These powerful tapes will boost your sales.



Proven techniques for turning sales calls into deals.

38 PROVEN WAYS TO CLOSE THAT SALE!

Boost your sales by mastering the art of the "close". This powerful video will help you overcome every potential buyer objection whether you're on the retail floor, the road, or in the office. Translate your product or service features into "must-have" benefits that will excite your customers... and help you land the big ones.

1-volume video. VHS only. Running time 87 minutes.

$79.95 plus $6 s/h



Write the business plan that will jump start your company!

BIZPLAN *BUILDER*

Your business plan may be the most important factor in convincing investors to give you the financing that will help you launch a new venture, product, or service. This bestselling computer-based product not only helps you get started, it practically does all the work for you. It includes more than 90 pages of typed and formatted word processing and spreadsheet files...as well as headlines, sentences, paragraphs, tables, and lists to help you produce your perfect business plan.

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 126-page reference book
Regularly priced: $129.00
Your Price:
$99.00 plus $6 s/h



Video. VHS only.
Running time 42 minutes.
Includes companion audiocassette and Supervisor's Handbook.
$99.95 plus $6 s/h

Proven techniques for getting results through others.

HOW TO SUPERVISE PEOPLE

Leadership is the ultimate challenge for any supervisor... and often the key to an effective organization. Leadership requires skill, toughness, and sensitivity...and this acclaimed video shows you how to attain all three. You'll see how to use team building, delegation, and conflict resolution to become an outstanding supervisor.



Create public relations like a pro...without the cost of an agency!

PUBLICITY *BUILDER*

If you've always wondered how some companies are always reaping the benefits of free publicity, this valuable product will make it possible for you to obtain the same benefits. Put your company's story into business journals, consumer magazines, newspapers, radio and television. Developed by a public relations professional, this software helps you get your name—quickly and inexpensively—in front of the people you want most to impress.

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 126-page reference book
Regularly priced: $129.00
Your Price:
$99.00 plus $6 s/h

A powerful customer retention tool!

50 WAYS TO KEEP YOUR CUSTOMERS

Fifty super techniques that keep your customers—and employees—happy. You can turn every customer into a lifelong client with this best-selling video workshop. Must viewing for owners, managers, salespeople, telemarketers, office staff—everyone who deals with customers in person or by phone. Segmented into easy viewing sections.



Video. VHS only. Running time 45 minutes. Includes companion audiocassette and workbook.
$99.95 plus $6 s/h



Help your employees understand the secret to getting repeat business.

THE POWER OF CUSTOMER SERVICE

Customers often buy because of the quality of the service, rather than the quality of the product. Show employees how to deliver the service that creates satisfied customers and turns around disgruntled customers. Help them deal with customers courteously even when they're under pressure. Demonstrate how to communicate concern and competence. Put your company on the inside track to consumer confidence.

Video. VHS only.
Running time 45 minutes.
Includes companion audiocassette and workbook.
$99.95 plus $6 s/h



Video. VHS only. Running time 30 minutes. Includes companion audiocassette and workbook.
$99.95 plus $6 s/h

Master proper phone etiquette in 30 minutes!

WINNING TELEPHONE TIPS

Learn why it's important to place your own telephone calls, how to avoid unnecessary call screening, and how to make your voice mail more efficient. Also learn innovative ways to prevent callers from wandering off the topic, who calls back if you're disconnected, how to properly answer the telephone, and why it's important to say, "thank you for calling" when the conversation is completed.

ORDER NOW! CALL TOLL-FREE 1-800-429-7107



Four videos. VHS only. Running time 212 minutes. Includes 40-page workbook.
$249.95 plus $6 s/h

Quick service doesn't have to mean poor service.

HOW TO GIVE EXCEPTIONAL CUSTOMER SERVICE

See for yourself how easy it is to serve customers quickly, but still leave them feeling pampered. Watch how easy it is to enforce company policy without turning off customers. This video series will help you make every customer contact more pleasurable and profitable; you'll build a base of customer devotion, loyalty, and repeat business.

Management makes the difference!

BUILDING A CUSTOMER-DRIVEN ORGANIZATION: THE MANAGER'S ROLE



Most customer service programs focus only on the people in contact with the customer. This 3-part video series explores customer service from a quality management, top-down perspective. Managers learn what customers really want from their business, how to add value for customers at every step, and how to motivate employees to provide great service.

Three videos. VHS only. Running time 252 minutes. Includes 24-page workbook.
$199.95 plus $8 s/h

Create a low-cost, high return, advertising program.

POWER MARKETING THROUGH DIRECT MAIL

A successful direct mail professional demonstrates how to turn limited advertising dollars into image and sales-building direct response results. This example-based video details the step-by-step process that provides the leads and inquiries that are the lifeblood of every small business.



Video. VHS only. Running time 110 minutes.
$69.95 plus $6 s/h



Computer disk (DOS 5-1/4, 3-1/2)
$99.95 plus $6 s/h

Increase your profits and cash flow.

UP YOUR CASH FLOW

How much cash will you need next week, next month, or next year? If you've never had the time or the tools to project cash flow, here's the product for you. Just answer the questions on your screen about sales and expenses, and out pops a complete financial plan in spreadsheet format...without wasting a moment's time to set it up! You can spot trends, run "what if" scenarios, and always know your cash needs in advance.

FREE WITH YOUR PURCHASE:
The *Up Your Cash Flow* tutorial will make learning the software a snap!

If you need to learn about accounting, finance, and budgeting...here are the answers!

FINANCE FOR NONFINANCIAL PROFESSIONALS



Make more confident and well-informed decisions in money matters. Deliver analyses and reports that demonstrate your control of your business. This exceptional video series helps you learn every basic nuance of finance, including accrual vs. cash reporting; direct and fixed costs; tests for liquidity, leverage, and solvency; revenue projections, and more.

Three videos. VHS only. Running time 231 minutes. Includes 48-page workbook.
$249.95 plus $6 s/h



Computer disk (WINDOWS 3-1/2) and 124-page reference guide. Regularly priced: $129.95
Your price:
$99.00 plus $6 s/h

Stimulate creative ideas and strategies and document your plan.

PLAN WRITE FOR MARKETING

Turn your creative ideas and strategies into a sound marketing plan. This easy-to-use product contains detailed explanations for many concepts including prospect objectives, sales and distribution, competition, pricing, promotion, and more, and produces a marketing plan that is ready to perform.

ORDER NOW! CALL TOLL-FREE 1-800-429-7107



2 audiocassettes and companion pocket guide
$19.95
plus $3 s/h

Deliver exceptional speeches with confidence and ease.

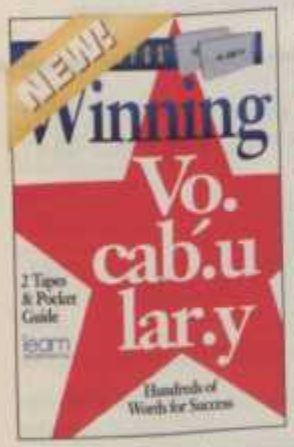
SPEAK FOR YOURSELF

Why sit on the sideline? Now you can stand up and speak with confidence! The ability to captivate an audience of one or 100 is not a natural talent. It's a skill you can learn—quickly and easily—in the comfort and privacy of your home.

No matter how nervous or tongue-tied you've felt in the past, *Speak for Yourself* gives you the skill and confidence you need. You'll discover how to:

- present ideas with impact
- give a speech without notes
- handle questions with confidence
- win an audience's respect
- radiate confidence and success

It's like having a personal coach every step of the way, from the first idea to the final applause.



2 audiocassettes and companion pocket guide
$19.95
plus $3 s/h

Proven techniques to enhance your vocabulary.

WINNING VOCABULARY

Now you can learn hundreds of new words quickly and easily—while you drive, exercise, or relax. Just sit back and listen as our breakthrough learning techniques put hundreds of exciting new words at your command. In a few minutes a day, you'll learn how to:

- master hundreds of new words
- increase your reading comprehension
- be more persuasive
- express yourself clearly

Get ready to listen, laugh, and expand your vocabulary. This is NOT the standard, boring dictionary approach. Instead, you eavesdrop on a series of clever conversations that teach you meaning, spelling, and much more. Each conversation shows you exactly how to use the new words when you speak or write. And we explain all the *nuances* (variations that can change the meaning) so you'll always use the right word, at the right time, in the right way.



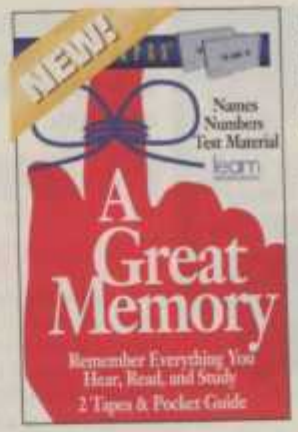
2 audiocassettes and companion pocket guide
$19.95
plus $3 s/h

Avoid embarrassing mistakes when you speak or write!

GOOF-PROOF GRAMMAR

At last! A no-nonsense grammar guide that gives you just the skills you need. In less than three hours you can master the top 10 areas that cause most people trouble—whether they realize it or not—in everyday speaking and writing.

We'll show you seven places you *must* use a comma, when it's okay to end a sentence with a preposition, and the *right* way to use a semicolon. We go straight to the grammar trouble spots and answer the nagging questions that plague you whenever you speak or write. Every guideline is short, simple, and easy to remember. You'll learn to find your errors and fix them in just minutes. With these simple guidelines, grammar finally makes sense!



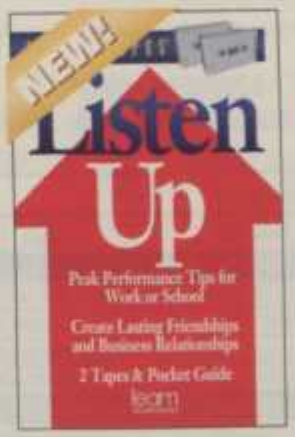
2 audiocassettes and companion pocket guide
$19.95
plus $3 s/h

Discover how to remember what you read, hear, and study.

A GREAT MEMORY

Now anyone can have a super-sharp memory—quickly and easily—using these simple breakthrough memory techniques. This is NOT the standard boring lecture approach. Within minutes, these interactive tapes hook your mind into a series of games and exercises that link advanced memory skills into the "recall" centers of your brain. You'll always remember a birthday, recall facts, figures, and numbers, remember every name you hear, and jokes and anecdotes.

You'll discover how to tap into your natural photographic memory—a permanent memory that will never let you down. It's as easy as closing your eyes... so simple a 7-year-old can do it...and you can start using it in just minutes.



2 audiocassettes and companion pocket guide
$19.95
plus $3 s/h

Master the secrets of successful listening.

LISTEN UP

Everyone likes a good listener. They're valued as friends. They're successful in business. And they're quick to see new opportunities. Our breakthrough approach lets you activate your listening skills in less than an evening—and tap into more of the guidance and information that are around you each day. Know *what* questions to ask and *how* to ask them, how to interpret body language, and how to be a better manager.

Discover how to listen responsively—using your eyes, your ears, and you heart—so people will open up to you in new ways. You'll remember far more of every conversation, meeting, or conference you attend...and gain exceptional knowledge and understanding in every situation.

ORDER NOW!
CALL TOLL-FREE
1-800-429-7107



Feel comfortable and in control with any individual or group.

HOW TO MAKE WINNING PRESENTATIONS

You can quickly and easily overcome presentation jitters. With these 30 sure-fire tips, you'll look and act composed... and give each audience (of one or a thousand) exactly what they expect. Learn and apply success tactics used by top speakers to make listeners remember exactly what they want them to... and how to adjust to every audience.

VHS only. Running time 30 minutes. Includes companion audiocassette and workbook.

$99.95
plus $6 s/h



Improve your chances of finding the right business!

RELOCATABLE BUSINESS

Save time, expand your search, and find the business that's right for you. *Relocatable Business*™ will help you find a business that you can buy, move, and operate anywhere—without losing customers!

This unique publication covers the entire country and provides detailed descriptions of established businesses in mail order, publishing, distribution, manufacturing and other movable businesses that are for sale. Twice a month you'll receive valuable information on each business, complete with decision-breaking sales histories.

One-year subscription (24 issues). Regularly priced: $150.00

Your Price:

$120.00
plus $6 s/h

Nation's Business® Order Form

Send to: Circulation Dept., 1615 H St., N.W., Washington, D.C. 20062-2000

ORDER TOLL-FREE 1-800-429-7107
OR FAX 1-202-463-5641

Method of Payment

❑ Check or money order enclosed
❑ Bill my credit card:
❑ VISA ❑ MasterCard ❑ American Express

Card # _____ Exp. Date _____

Signature _____

Ship To:

Name _____

Company _____

Address _____

City _____
(No P.O. Boxes)

State _____ Zip _____

Telephone # _____
(Required for Credit Card and Fax orders)

QTY	NAME OF PRODUCT	UNIT PRICE	S/H COST	TOTAL PRICE
	BUSINESS PLANNING AND FINANCE			
	BizPlan Builder DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$99.00	$6.00	
	Financing Sources Databank DOS ❑ 5-1/4 ❑ 3-1/2	$139.00	$6.00	
	Up Your Cash Flow DOS ❑ 5-1/4 ❑ 3-1/2	$99.95	$6.00	
	Finance For Nonfinancial Professionals	$249.95	$6.00	
	COMPUTER LETTERS, FORMS AND DOCUMENTS			
	Consulting ReadyWorks DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$119.95	$6.00	
	Legal LetterWorks DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$79.95	$6.00	
	Personnel ReadyWorks DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$119.95	$6.00	
	Sales LetterWorks DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$79.95	$6.00	
	Business LetterWorks DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$79.95	$6.00	
	Personal LetterWorks DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$79.95	$6.00	
	QUALITY CUSTOMER SERVICE			
	The Power of Customer Service	$99.95	$6.00	
	50 Ways to Keep Your Customers	$99.95	$6.00	
	Winning Telephone Tips	$99.95	$6.00	
	How to Give Exceptional Customer Service	$249.95	$6.00	
	Building a Customer-Driven Organization: The Manager's Role	$199.95	$8.00	
	SELLING SKILLS			
	How Buyers Like to be Sold	$179.95	$6.00	
	38 Proven Ways to Close That Sale!	$79.95	$6.00	

QTY	NAME OF PRODUCT	UNIT PRICE	S/H COST	TOTAL PRICE
	EMPLOYEE MANAGEMENT			
	Employee Manual *Maker* DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$99.00	$6.00	
	Employee Appraiser (Windows 3-1/2 ONLY)	$99.95	$6.00	
	How To Supervise People	$99.95	$6.00	
	MARKETING KNOW-HOW			
	Publicity *Builder* DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$99.00	$6.00	
	Power Marketing Through Direct Mail	$69.95	$6.00	
	Plan Write For Marketing (Windows 3-1/2 ONLY)	$99.00	$6.00	
	PERSONAL BUSINESS SKILLS			
	Speak for Yourself	$19.95	$3.00	
	Winning Vocabulary	$19.95	$3.00	
	Goof-Proof Grammar	$19.95	$3.00	
	A Great Memory	$19.95	$3.00	
	Listen Up	$19.95	$3.00	
	BUSINESS RESOURCES			
	How to Make Winning Presentations	$99.95	$6.00	
	Relocatable Business	$120.00	$6.00	
		SUBTOTAL		
	Orders outside the U.S.A. and Canada add $25.00 per product for shipping/handling	CA & DC SALES TAX		
		TOTAL		

Your Order is 100% Satisfaction Guaranteed or Your Money Back Within 30 Days

NB1295

Nation's Business

Reprints Help You Control Your Company Benefits, Sales, and Profits!

Save 20% On New Reprint Packages!

NEW REPRINTS



***GROWING MORE BY DOING LESS** #9091
Outsourcing enables firms to focus on core activities and build in flexibility by farming out activities best done by others. (Page 18)

***SHAKY DECLARATIONS OF INDEPENDENCE** #9092
Congress is being urged to clarify the independent-contractor guidelines. (Page 26)

***BUSINESSES EYE POSTAL RATE PLAN** #9093
The Postal Service's proposed rate restructuring would reduce some firms' mailing costs and raise others'. (Page 33)

***HOW TO BROADEN YOUR SKILLS** #9094
Entrepreneurs have many places to turn for strengthening their business abilities. (Page 49)

SPECIAL REPRINT PACKAGES

Six Reprints For The Price Of Five. Get One Reprint FREE!

STRATEGIC PLANNING FOR SMALL BUSINESS (#9070) ($9.95)
- How To Write A Business Plan (#8933)
- Put Your Purpose In Writing (#8995)
- Are You Ready To Go Public? (#9043)
- Preparing For A Shift In Ownership (#8989)
- Letting Experts Run Your Pension Plan (#9036)
- Beating Back The Competition (#9028)

RAISING CAPITAL FOR SMALL FIRMS (#9071) ($9.95)
- A Loan At Last? (#9026)
- Seed Funds For The Smallest Start-Ups (#8918)
- Creative Ways To Raise Capital (#8929)
- Cashing In On 504 Loans (#8986)
- Some Rest For The Paperwork-Weary (#9019)
- Matching Investors And Entrepreneurs (#9076)

TOTAL QUALITY MANAGEMENT FOR SMALL BUSINESS (#9072) ($9.95)
- Quality Standards That Can Open Doors (#8920)
- Small Firms Put Quality First (#8888)
- Where "Quality" Is A Language (#8930)
- Re-engineering Your Company (#8992)
- How To Get Your TQM Training On Track (#8917)
- You Need Not Be Big To Benchmark (#8927)

RETAILING TIPS AND TACTICS (#9073) ($9.95)
- Retailing Looks To A New Century (#9037)
- How To Get Merchant Status (#9068)
- Hitching Your Wagon To A Retailing Star (#9035)
- Survival Tactics For Retailers (#8960)
- Ferreting Out Con Artists (#9025)
- Selling To Uncle Sam: New, Easier Rules (#9052)

CURBING WORKERS' COMP COSTS (#9074) ($9.95)
- Do-It-Yourself Workers' Comp (#9055)
- Helping Injured Workers Heal (#9013)
- Workers' Comp Costs: Out Of Control (#8895)
- A Visual Approach To Employee Safety (#9048)
- Taking Charge Of Workers' Comp (#8976)
- Controlling Wrist And Back Injuries (#9027)

SMALL BUSINESS FINANCIAL ADVISER (#9075) ($9.95)
- Keeping It In The Family (#9045)
- Desperately Seeking Safety In Investing (#9049)
- The Importance Of Buy/Sell Agreements (#9053)
- A Threat To Defined-Benefit Plans (#9065)
- New IRS Audits Mean Business (#9057)
- Rally Boosts Stocks And Bonds, But Will It Last? (#9061)

NOTE: Individual reprints may be selected from Special Reprint Packages at the single reprint rates listed on the order form. Reprints are in black and white only. Color reprints may be special-ordered.

**Can't wait? For immediate service via fax, see Page 35.*

Nation's Business Order Form

Send to: Circulation Dept., 1615 H Street, N.W., Washington D.C. 20062-2000

ORDER TOLL-FREE 1-800-692-4000
OR FAX 1-202-463-5641

Method of Payment
- ☐ Bill me ($100.00 Minimum)
- ☐ Check or money order enclosed
- ☐ Bill my credit card ($9.95 Minimum)
- ☐ VISA ☐ MasterCard ☐ American Express

Card # _____
Exp. Date _____
Signature _____
Name _____
Company _____
Address _____
City _____
State _____ ZIP _____

QTY	REPRINT NAME AND NUMBER	UNIT PRICE	TOTAL PRICE
	SUBTOTAL		
	CA & D.C. SALES TAX		
	SHIPPING	FREE	
	TOTAL		

REPRINT RATES

Single Reprint Rates
1 To 9 Copies $1.99 ea.
10 To 29 Copies $1.49 ea.
30 To 99 Copies $1.19 ea.
100 To 999 Copies $.99 ea.

Reprint Packages: $9.95

NB1295

Your Order Is 100% SATISFACTION GUARANTEED

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Laura M. Litvan

INTERNATIONAL EXPANSION

Tracking Foreign Labor Laws

I have a small temporary-services firm, and I want to open branch offices in other countries—probably Western Europe first. I want to research employment laws in as many as 50 countries so I can gauge the relative burdens of hiring in specific nations. Is there a single source of such information?
D.E., Annandale, Va.



ILLUSTRATIONS: MARTHA VAUGHAN

You might want to pare the list of countries you're interested in and then seek in-depth assistance from a consultant or from trade specialists posted at U.S. embassies in those countries.

These three sources of preliminary data could be particularly helpful as you do this:

■ Reports called *Foreign Labor Trends*, a series published annually by the U.S. Department of Labor, provide data about the work forces in particular countries and contain some details about employment laws, such as minimum-wage and collective-bargaining rules.

Reports are available on 30 countries; the complete set is $36. To learn more, call (202) 219-6257.

■ Because of your interest in branching out into Western Europe first, a packet of information from the Delegation of the European Communities may be a good starting point. The packet of basic labor information about the 15 member countries of the European Union is available free from the delegation in Washington, D.C.; (202) 862-9500.

The organization also has provided information to about 50 U.S. libraries, so be sure to ask if they include any libraries near you in northern Virginia.

■ Some benefits-consulting firms publish reports describing the kinds of benefits typically offered in other nations. For example, Hewitt Associates, in Lincolnshire, Ill., sells reports on more than 50 nations.

These reports provide much more detail than those from the Department of Labor. They cost $250 each, however. To find out more, call (708) 295-5000.

Meanwhile, be aware that the European Union's efforts to establish a common economic market have led to only limited uniformity in labor regulations among the member countries.

Inga Harris, a trade-research consultant with Hewitt Associates, notes that one area of agreement is a workweek of 48 hours for hourly employees. Additional hours worked within a week must be compensated at overtime rates.

On other employment matters, however, such as social-security taxes and vacation benefits, there still are great disparities from country to country, Harris says. ■

GETTING STARTED

Night Work



I am interested in opening a nightclub. Can you tell me where I can get some information to get started?
K.J., St. Louis

A magazine that covers the industry, *Nightclub and Bar*, has compiled a directory of industry contacts. It is available free to newcomers as well as owners of existing establishments.

To obtain a copy of the directory, call 1-800-247-3881, or write to: *Nightclub and Bar*, 307 West Jackson Ave., Oxford, Miss. 38655.

Making A Splash

I represent a group of investors interested in starting a water park. Do you know of an organization I can contact regarding this type of business?
D.J., Dubuque, Iowa

The *Water Park Resource Directory and Guide* is available from the International Association of Amusement Parks and Attractions; it costs $200 for nonmembers and $50 for members.

The association also sells a directory of consultants who could help with everything from feasibility studies to construction advice. It costs $78 for nonmembers but is free to members.

You can call the Alexandria, Va., group at (703) 836-4800.

Clear Title

I have my own real-estate office, and I want to open a title-insurance company. Where can I find more information about running a title company out of my office?
T.K., Brooklyn, N.Y.

Title-insurance companies are licensed by the state, so start with New York's Department of Insurance.

To receive a packet of information on licensing requirements, call the Office of the General Counsel, New York State Department of Insurance, at (518) 474-4553. ■

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Or transmit your question to our CompuServe Address: 76436,1735. Be sure to include your address and telephone number.

Because of the high volume of queries, we can answer only those that are chosen for publication. Questions may be condensed, and writers will be identified only by initials and city. ■

MARKETING

Protecting Your Invention

I have what I believe is a unique product idea that I would like to market to manufacturers. How can I promote my idea while ensuring that it isn't stolen by someone else in the process?
D.B., Mayfield, Ky.



Before you attempt to find out if your idea might capture consumers' fancy, you must decide how you will protect it, says Alexander Marinaccio, chairman of the Inventors Clubs of America Inc., a nonprofit group in Atlanta. He says he has seen entrepreneurs lose ideas to corporations—even to relatives or neighbors—because they didn't safeguard them.

Marinaccio and other experts advise keeping a journal about your idea. In the United States, the rights to a product belong to the first person who invents it, not necessarily to the first person who files for a patent. If someone else were to file for a patent before you, your journal could help you establish that you were the first to invent it. Marinaccio's group, at (404) 938-5089, can provide guidance on how to keep a journal and other matters.

Inventors Assistance League International, another inventors group, sells a $295 self-study course covering journal-keeping and other topics. The group's marketing office is in Grand Rapids, Mich., at (616) 942-5207.

Once your idea is ready for disclosure, there are several steps you can take to protect it, says Steven Glazer, a patent attorney and a partner with the New York office of Weil, Gotshal, and Manges. The key protection is a patent, which excludes others from selling, manufacturing, or using your idea for up to 20 years.

Glazer advises that you at least apply for a patent before discussing it with outsiders. Filing your idea with the U.S. Patent and Trademark Office is a solid way to establish the date of the disclosure of your idea, he says.

Glazer notes that under recently adopted provisions of the multinational General Agreement on Tariffs and Trade, there is now a shorter "provisional" patent application you can file for about $75. Within a year, however, you still would have to file a full application, which carries a fee of $400 to $800.

Although many investment marketing firms offer to guide inventors through the process, patent experts advise caution. Many firms are reputable, but others have been exposed as scams that offer to promote an invention for a sizable upfront fee and then provide little if any help.

The Federal Trade Commission provides a free brochure that can help separate legitimate firms from less reputable ones. Call the FTC's Bureau of Consumer Protection at (202) 326-3650.

To order some free or low-cost publications for inventors, call the U.S. Patent Office at (703) 308-4357.

See also "This Little Inventor Went To Market," in the September issue. To order a reprint of the article, see Page 77; ask for Reprint No. 9083. NB

ADVERTISEMENT

Nation's Business

The Small Business Resource Guide

Revised and Expanded Edition

What You Need To Know About Starting, Running, and Growing Your Business

From The Editors Of DIRECT LINE

The Small Business Resource Guide

What You Need To Know About Starting, Running, and Growing Your Business



Nation's Business

This updated and expanded edition answers the most frequently asked questions to Direct Line, the popular advice column for small-business owners and managers. The 84-page guide provides the latest how-to information and expert advice on crucial business concerns such as:

- starting a business
- obtaining start-up capital
- complying with government regulations
- managing company benefits
- retailing
- exporting
- selling a business
- franchising
- trademarks/patents/copyrights
- marketing and much, much more.

The new edition of **The Small Business Resource Guide** also features a special section on Quality Management. This easy-to-use resource is ideal for owners and managers of new or established businesses.

Order Today! Only $9.97
plus $2.00 for shipping/handling.

Nation's Business Order Form

Send to: Nation's Business, Circulation Department, 1615 H Street, N.W., Washington, D.C. 20062-2000

ORDER TOLL-FREE 1-800-356-7500
OR FAX 1-202-463-5641

Method of Payment
❑ Check enclosed for $11.97. (Includes $2 for shipping/handling)
❑ Please bill my credit card
❑ Visa ❑ MasterCard ❑ American Express

Card No.# _____ Exp. Date _____
Signature _____
Name (Please Type or Print) _____
Company _____
Address _____
City _____
State _____ ZIP _____

NB1295

Editorial

An Impressive Beginning For Congress



Members of the 104th Congress, now in the final weeks of the first session, can take pride in the way the legislature has begun to meet the high expectations of voters who sent representatives and senators to Washington with a mandate for change.

A majority of members of this Congress have made an excellent start toward fulfilling their commitment to voters—a sharp break with the doctrines and policies that the country had lived under since the early 1930s.

Whatever their initial validity, an unacceptably high number of programs designed to carry out those policies had become expensive anachronisms. Some needed massive revisions. Others were beyond salvation.

A long line of Democratic-controlled Congresses failed to acknowledge the reality that was becoming more and more apparent to the American people—that these programs not only had failed but also were threatening to bankrupt the country. In the past 15 years, annual federal spending went from $592 billion to $1.6 trillion. Over the same period, the national debt went from $909 billion to nearly $5 trillion.

At the same time that the private economy was expected to underwrite this runaway government spending, the government was imposing costly regulations that hampered or even prevented the economy from functioning at the levels needed to generate revenues of that magnitude.

Voters decided in November 1994 that the solution to such problems was to fire the people responsible for them. Those voters put Congress under the management of leaders and members committed to a balanced budget, lower taxes, less regulation, and transfer of power from Washington to the states.

With dedication and hard work, this Congress made an excellent start on meeting those commitments. A plan for ending red-ink spending is well along. Proposals to ease regulations are high priorities. Tax-cut legislation is under debate, and coming along behind it are proposals to make the basic tax system simpler, more equitable, and more supportive of economic growth. Pending reforms of the welfare and Medicaid systems would give states vast new authority for running them.

Given the scope and complexity of the changes sought by the new congressional majorities and the nature of our political system, there was little likelihood that governmental trends that had prevailed for more than 60 years could be reversed in a single congressional session.

American business, which has long advocated the goals that this Congress is pursuing, is well aware that achieving them will take time. But as Bruce Josten, senior vice president for membership policy of the U.S. Chamber of Commerce, points out:

"The important development, as this Congress nears the end of its first year, is the sea change that has occurred in the legislative environment. The dominant themes of a balanced budget, tax cuts, less regulation, and states' responsibilities are in marked contrast to those of previous years, when the key debates were over how much more money to spend, how many programs to create, and how to enhance the power of the central government."

Although much remains to be done, this Congress has every right to be proud of a job well begun. NB



Downsizing. Rightsizing. The blinding speed of change. The revolution in today's business is causing stress throughout every organization. And your employees - the ones servicing your customers - are on the battlefield every day. Give them the skills they need to succeed. Dale Carnegie Training® for Business.

Our training improves company profitability by improving employee productivity. Everybody wins. Your people achieve their professional and personal best. Your customers get better service. Your company and your bottom line - just keep growing stronger.

30 proven ways to increase the performance of your employees. This isn't theory. This is practical, specific skill development that produces quantifiable improvements in:

- Teamwork
- Communication / Interpersonal Skills
- Time Management
- Leadership Skills
- Productivity
- Customer Service

We're the leader in bringing training to business. With Dale Carnegie Training, there is nothing between your company... and success. Call **1-800-231-5800 ext. 505** today for more information.

DALE CARNEGIE® TRAINING

People. Performance. Profits.



Copyright©1995 Dale Carnegie & Associates, Inc. All rights reserved.

Circle No. 6 on Reader Service Card

It's not so much a car

Chrysler Concorde *LXi*

as it is a wake-up call for an entire industry.

A startling exception

to a blindly accepted rule.

The idea that room for five must,

by definition, leave no room

for imagination.

Cab-forward design

is that exception.

Chrysler engineers set out to build a car.

They wound up building

an alarm clock.

214 HP 24-VALVE V6 ENGINE. INDEPENDENT TOURING SUSPENSION. SPEED-SENSITIVE STEERING. 16" CAST ALUMINUM WHEELS. 4-WHEEL DISC ABS. LEATHER-TRIMMED SEATS. ELEVEN-SPEAKER PREMIUM SOUND SYSTEM. CAB-FORWARD DESIGN. INQUIRIES, 1-800-4-A-CHRYSLER. WEB SITE, http://www.chryslercars.com